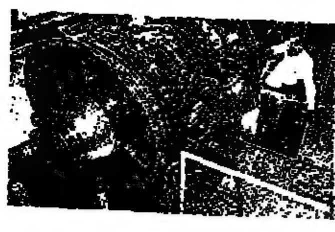
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FINANCIAL TIMES

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GE Capital may control GPA for less than $300m

GE Capital may be able to exercise its option to take control of GPA Group for less than $300m, according to lenders of the aircraft leasing company. GPA yesterday made the first payments due to bondholders after it received a $100m bridging loan. GPA still has to agree the price of the option allowing GE Capital to take 65 cent of its equity. Page 17

Japan urged to cut tariffs further: Europe will seek further tariff cuts from Japan, especially in processed food. In talks held in Toronto last week, Tokyo offered a 55 per cent reduction in about 770 industrial products. Page 4

Nadir free to do business in Turkey: Asil Nadir, former head of Polly Peck International, has not been made bankrupt in Turkey and so is legally free to own and run businesses in the country, it emerged. Page 16

Rhone-Poulenc, which is expected to be privatised shortly by the French government, reported operating profits down 19.3 per cent to FFr1.7bn ($310m) for the first quarter, after an 8 per cent fall in turnover. Page 17

Pérez waits for court to settle his future:

The fate of Venezuela's president Carlos Andrés Pérez (left) may be decided this week by the supreme court which is deciding whether there are sufficient grounds to impeach him. The president could be forced out of office before his term expires next February over the alleged mishandling of $17m appropriated for security purposes. Page 4

Japan bankruptcies rise: Japanese corporate bankruptcies in April rose by 3.9 per cent year-on-year, with those linked to the downturn in the economy accounting for more than 60 per cent. Page 5

Atlas Copco, Swedish tool manufacturer, increased profits by 10 per cent in the first three months to SKr315m ($43m), largely owing to the lower value of the krona. Page 17

Renewal of Bosnian peace process: US secretary of state Warren Christopher said the expected defeat of the Vance-Owen peace plan for former Yugoslavia would encourage a new round of talks between the US and its allies. Page 16

Chinese inflation worries: Urban inflation in China touched 17 per cent on an annualised basis, underscoring the need for China to cool its overheated economy. Page 5

Barclays tax ruling delayed: The US Supreme Court has asked the Justice Department for its opinion on Barclays Bank's suit against California's unitary tax system. The move delays indefinitely a decision on the 10-year wrangle. Page 4

K mart, US retail group, showed a 57.1 per cent fall in underlying profits for the first quarter, sending analysts scrambling to cut their full-year earnings estimates. Shares fell $⅝ to $22⅞. Page 17

Independence for Mexican bank: Mexico's central bank may be given independence with a mandate to preserve price stability following a move by President Carlos Salinas to bring this about through a constitutional amendment. Page 16

Hungary set for austerity: Hungary's unpopular conservative government has unveiled an austerity budget plan – including tax increases and spending cuts – just a year before elections. Page 3

Ukraine to reform trade: The Ukrainian government moved to repeal export quotas and slash export taxes in an attempt to boost sharply declining trade revenues. Page 4

Bank governor pay freeze: The new governor of the Bank of England, Eddie George, has agreed to freeze his salary of £210,000 ($320,000) for five years. Mr George is convinced the UK must curb wage demands. Page 6; Editorial Comment, Page 15

Pakistan accused over bomb blasts: Indian officials accused Pakistan of involvement in the March Bombay bomb blasts in which some 250 people were killed and 1,400 injured. Pakistan was shielding prime suspects, the officials claimed.

British woman conquers Everest: London journalist Rebecca Stephens, 31, became the first British woman to reach the 29,000ft peak of Everest.

■ STOCK MARKET INDICES		
FT-SE 100:	2858.1	(+11.1)
Yield	3.98	
FT-SE Eurotrack 100	1146.07	(-2.14)
FT-A All-Share	1407.06	(+0.3%)
Nikkei	20,565.51	(+91.36)
New York lunchtime		
Dow Jones Ind Ave	3437.47	(-5.54)
S&P Composite	439.01	(-0.55)
■ US LUNCHTIME RATES		
Federal Funds:	$3\frac{3}{8}$%	
3-mo Treas Bills: Yld	3.033%	
Long Bond	$101\frac{15}{16}$	
Yield	6.989%	
■ LONDON MONEY		
3-mo Interbank	$6\frac{1}{8}$%	($6\frac{1}{8}$%)
Liffe long gilt future:	Jun $103\frac{31}{32}$	(Jun $103\frac{7}{32}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day July	$18.4	(18.48)
■ Gold		
New York Comex June	$368.0	(368.3)
London	$368.2	(367.8)

■ STERLING		
New York lunchtime:		
$	1.5345	
London:		
$	1.533	(1.5385)
DM	2.4775	(2.465)
FFr	8.34	(8.315)
SFr	2.2525	(2.2325)
Y	170.75	(170.5)
£ Index	80.0	(same)
■ DOLLAR		
New York lunchtime:		
DM	1.61425	
FFr	5.44125	
SFr	1.46625	
Y	111.15	
London:		
DM	1.616	(1.602)
FFr	5.44	(5.405)
SFr	1.47	(1.4505)
Y	111.45	(110.9)
$ Index	84.3	(same)
Tokyo close Y 110.77		

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Hungary	Ft172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	SLT220	India	Rs40	Nigeria	Naira45	Slovenia	HRD5700
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta200
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00
Finland	FM12	Kuwait	Fils600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr9.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

De Benedetti investigated over Olivetti bribes

By Robert Graham in Rome

MR Carlo De Benedetti, chairman of Olivetti, was yesterday formally placed under investigation by Milan magistrates following his voluntary statement to them on Sunday outlining illicit payments by the computers and office equipment group to Italian politicians totalling nearly L20bn ($13m) over the past decade.

Mr De Benedetti is the most prominent of the 700-odd politicians, officials and entrepreneurs caught up in Italy's ever-widening corruption scandal. However, Mr Marco De Luca, the Olivetti chief's lawyer, said no charges had been laid against him.

In volunteering the deposition Mr De Benedetti said he assumed responsibility for all actions by the company, whether or not he was personally involved.

In a statement to the Financial Times yesterday, he repeated that he, personally had "never paid over any money to politicians or officials".

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■ Olivetti says threats forced it to pay bribes
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■ Buck stops at De Benedetti

His 11-page deposition is the most outspoken attack so far by a leading industrialist on Italy's political establishment and the climate in which business was obliged to work during the late 1980s. He spoke of threats to obtain money which amounted to "racketeering".

When at one stage Olivetti rejected requests for money, Olivetti had been put "on the black books of the state railways" and excluded even from bids.

Later on, the pressure from the parties and their representatives in the state entities "reached an impressive crescendo ... of menaces and extortion to become in the last few years nothing short of racketeering ... The demands from the representatives of the parties were systematic and unavoidable on everything they controlled without exception."

Mr Giovanni Cherubini, former head of Olivetti's Rome operations, who is understood to have acted as an intermediary with treasurers of main Italian parties and with ministry officials, appeared voluntarily before Milan magistrates yesterday.

It is believed that, through him, Olivetti agreed to begin making payments in 1988 to a Rome "collector", for the Christian Democrat and Socialist parties. This was in return for a purchase agreement with the ministry of posts, Mr De Benedetti's deposition said.

The payments represented two per cent of the value of the ministry's purchases. Between 1988 and 1991 Olivetti paid more than L10.024bn in this way.

No details of other Olivetti payments have been released but Mr De Benedetti said there had been five separate episodes since he first took over at Olivetti in 1978.

He concluded his deposition by outlining two further instances to underline the climate of political hostility towards him personally and Olivetti – the blocking of his deal to take over publishers Mondadori in 1981 and the intervention of Mr Craxi to block the sale of SME, the state foodstuffs and distribution group in 1985. "The strong reaction of the then prime minister Mr Craxi blocked and subsequently annulled the latter operation."

Yesterday ordinary shares in Olivetti rose 2.8 per cent before falling back marginally.

In another development Milan magistrates declined requests for the release from jail of Mr Franco Nobili, the head of Iri, the state holding company, arrested last week on corruption charges. Mr Nobili resigned on Friday and was replaced by Prof Romano Prodi, who headed Iri until 1990.

Steinkühler earns DM64,000 from holding company investment

IG Metall head in row over shares

By Quentin Peel in Bonn and David Waller in Frankfurt

MR Franz Steinkühler, the most prominent and powerful trade union leader in Germany, yesterday admitted spending almost DM1m ($600,000) in a speculative purchase of shares in a Daimler-Benz holding company.

At the same time he rejected accusations that, as a member of the Daimler supervisory board, he was guilty of insider trading.

Mr Steinkühler heads IG Metall, the giant engineering workers' union, which is involved in controversial strike action in east Germany to gain rapid wage equalisation with the west.

He is said to be determined not to resign.

A union official admitted, however, that "some people will be astonished" at the revelations. "There will always be social envy," he said.

Mr Steinkühler denied he had any prior knowledge of a move to dissolve the holding company, Mercedes Holding, which left him with a windfall profit of DM64,000 on the shares he had bought.

He summoned an extraordinary press conference at his union headquarters in Frankfurt yesterday to counter the charge of insider trading, and quoted Mr Edzard Reuter, the chief executive of Daimler, in his self-defence.

"I cannot prove what I did not know at the time," Mr Steinkühler said.

Insider dealing is not legally barred in Germany, although bankers and company officials are bound by a "gentleman's agreement" not to use inside information. The government has promised to introduce legislation to control the practice next year.

Mr Steinkühler said he bought the shares with cash he had available to pay a future income tax demand, for some DM976,000, shortly before they rose almost 20 per cent in value.

Union officials admitted yesterday that Stern, the weekly news magazine, appeared to have precise and accurate details of share transactions carried out for Mr Steinkühler by BfG bank, the Crédit Lyonnais subsidiary formerly owned by the German trade union movement.

They confirmed that the union leader, always known for his smart dressing and good life style, had an annual salary of "more than DM200,000".

They charged that the information on his share dealings must have been sold to the magazine, or handed over deliberately to destroy the union leader's reputation.

According to a report in this

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Steel agreement near, Page 3
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Franz Steinkühler, who rejected charges of insider dealing in shares of a Daimler-Benz holding company

Spain's right sees election boost from peseta devaluation

By Martin Wolf in London and Peter Bruce in Madrid

MR José Maria Aznar, leader of Spain's conservative opposition, the Partido Popular, said yesterday that last week's 8 per cent devaluation of the peseta had significantly increased his chances of defeating the country's socialist prime minister, Mr Felipe González, in next month's general election.

In London yesterday, Mr Aznar met Mr John Major, the British prime minister, and spoke to MPs and business leaders about his party's intentions, should it win enough votes to form a government. He said "the electoral hopes of the Partido Popular have increased considerably. On June 6 ... we are going to have a political change and we're going to have a new colour of government."

Polls taken before last Thursday's devaluation show the socialists and the PP neck and neck, but Mr Aznar said a private PP poll after the peseta devaluation showed most people blamed the government.

Mr Aznar said yesterday the PP agreed with the government on Spain's commitment to Europe, but said Spain needed to become more economically competitive.

He noted, however, that there were differences of emphasis from the González government on policy towards European union, as laid down in the Maastricht treaty. Mr Aznar argued, for example, that even though the objectives of the European Community's planned social dimension were satisfactory, the possible application of the programme was currently limited.

Mr Aznar said his party's objective was to put Spain in the first economic rank in Europe, but that goal had slipped further away in recent years.

Furthermore, EC cohesion and structural funds were very small, particularly compared to the sums available in a federal union such as the US. What was needed, he said, was these funds, plus greater competitiveness.

Mr Aznar's visit to London is part of an effort by his campaign to depict him as an internationally acceptable figure. The PP lay great emphasis on Mr Aznar being able to match Mr González in international stature and last Thursday decided to press ahead with a visit to France rather than stay in Spain as the drama of the devaluation unfolded.

Spain's right quits Franco's shadow, Page 3

Danish PM urges Yes vote on Maastricht

By Hugh Carnegy and Hilary Barnes in Copenhagen and Lionel Barber in Brussels

MR Poul Nyrup Rasmussen, the Danish prime minister, issued a last-minute appeal to Danes yesterday to vote for the Maastricht treaty in today's referendum as opinion polls showed the Yes campaign holding a substantial lead.

A final Gallup poll showed the Yes camp with 50 per cent against 32 per cent for No, 14 per cent undecided and 4 per cent planning to abstain.

Gallup incorrectly forecast the result of Denmark's previous referendum, in June last year, which rejected Maastricht by 50.7 per cent to 49.3 per cent, throwing European Community strategy into confusion and forcing the EC to grant Denmark a series of opt-outs from the treaty's provisions on closer political and economic union.

Yesterday's poll showed that 75 per cent of those questioned expected a Yes this time, including 63 per cent of No voters.

Mr Rasmussen's appeal was supported by Mr Carl Bildt, the Swedish prime minister, who regards the vote as a crucial test for the EC's policy of enlargement to include Sweden, Austria, Finland and Norway by the mid 1990s.

"A Danish Yes would be a green light for the conclusion of the enlargement negotiations," Mr Bildt told the Financial Times. "We have an obvious interest in a Danish Yes."

He said: "The period of doubt and hesitation in Europe between the Danish No on June 2 last year and the expected Yes on May 18 is now coming to an end. Although the cost has been high – notably on the financial markets – I believe that Europe has benefited from the doubts and the debates of this year."

Mr Klaus Kinkel, the German foreign minister and a strong backer of the treaty, also expressed confidence. Commenting on Denmark's success in winning "opt-out" arrangements at the EC summit in December, Mr Kinkel said: "In Edinburgh we took full consideration of Danish arguments and embedded these in the overall context of the treaty. I am confident that the

A European Community-wide poll showing a fall in support for European integration has been withheld by the European Commission until after today's referendum in Denmark on the Maastricht treaty. The Eurobarometer poll, carried out by independent national market research organisations, is said to show a sharp drop in support for European unification in Spain, Portugal and Greece. Page 16

■ Legal challenges bog down EC treaty Page 2
■ Downing Street reaffirms UK commitment to ERM Page 7
■ Lex Page 16

Danish population, like their Scandinavian neighbours, will react positively to this process."

Officials in Brussels remained wary of predicting a favourable result. "We're all on tenterhooks here," one Commission official said.

Mr Rasmussen said the European Community must move forward to a new period of pragmatism, tackling issues that affect the everyday lives of its people. He said the EC, currently under the Danish presidency, must set aside its more visionary projects.

In the face of the polls, the No campaign complained bitterly yesterday that the political establishment, overwhelmingly in favour of a Yes vote, was conducting a scare campaign.

At a press conference, Mr Rasmussen said Europe's economic troubles could not be resolved by individual states alone and warned of tighter economic policies at home in the event of a No vote. He pledged that Denmark would make a co-ordinated approach to economic recovery a top priority at next month's EC summit in Copenhagen.

He urged the Community to tackle unemployment within the EC and help eastern European development.

The Commission confirmed yesterday that it had sharply reduced its forecast for economic growth in the Community this year. EC officials denied that there was a decision to delay releasing the new forecasts until after today's referendum.

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NEWS: EUROPE

Olivetti says threats forced it to pay bribes

By Robert Graham in Rome

OFFICIALS in the Italian Posts Ministry allegedly threatened to stop buying from Olivetti, the computer and office equipment manufacturer, unless the group paid bribes.

According to evidence provided to Milan magistrates by Mr Carlo De Benedetti, the group's chairman, this was just one of several instances of extortion against Olivetti during the 1980s by civil servants and their political masters.

The allegation is contained in an 11-page statement to the magistrates by Mr De Benedetti, clarifying the group's role in illicit financing to the tune of nearly L20bn (£8.5m) of the main political parties – but principally the Christian Democrats and Socialists.

Having agreed in 1988 to a 2 per cent "commission" on purchases by the ministry, payable to the political parties, Olivetti's revenue jumped from L2.1bn in 1987 to L204.3bn that year.

Mr De Benedetti told the magistrates he divided dealing with the political parties into two periods: from 1978-82 (when he was chief executive) and 1983 onwards (when he was also chairman).

During the first, Olivetti experienced limited, though occasionally "strong pressures". The threats could be summed up as: "If you don't pay you don't work with us", and they came from representatives of the Christian Democrat and Socialist parties. "We replied rejecting specific requests.... limiting ourselves to generic donations to the party treasurers."

At one stage during this period Olivetti was "on the black books of the state railways" and excluded even from bids. This made it difficult for the company, which had two thirds of its sales outside Italy, to seek contracts with the Swiss railways or the Dutch postal service who were puzzled that it had no such local contracts.

This bribe threat was only dropped, Mr De Benedetti said, after he intervened several times with Posts Ministry, pointing out that Olivetti risked losing jobs if it lost the contract to foreign competition when in France and Germany such sectors were still closed to foreign competition.

"During the second period, the pressure from the parties and their representatives in the state entities reached an impressive crescendo... of menaces and extortion to become in the last few years nothing short of racketeering... The demands from the representatives of the parties were systematic and unavoidable on everything they controlled without exception."

Olivetti was thus obliged to adopt a case-by-case approach, in particular with the Posts Ministry, handled through the group's Rome representative. "Thus we arrived at an agreement whereby Olivetti had to pay like the other suppliers to the ministry."

"The result... was dramatic moving from L2.196bn in 1987 to L204.305bn in 1988. At the same time the payments began totalling L10.025bn between 1988 and 91.

"Towards the end of 1991 I decided to object to this system and stopped every type of payment. And since then we have scarcely received a new order, while there began to appear a series of strange news items in the papers about supposed malfunctioning of Olivetti equipment as well, in synthesis, a repetition of the attitude 'if you don't pay no work'."

Mr De Benedetti said the Christian Democrat treasurer was timid compared to the late Mr Vincenzo Balzamo, his Socialist counterpart (who died of a heart attack last autumn while under investigation).

"The Socialists were much more aggressive in that Balzamo told Cherubini [Olivetti's Rome representative] that it was only possible to overcome the great aversion of the Socialist party and its secretary [Mr Bettino Craxi] towards me by handing over money."

No German court ruling on Maastricht is likely before end of July

Legal challenges bog down EC treaty

By Quentin Peel in Bonn

THE German constitutional court in Karlsruhe is considering 18 separate challenges to the Maastricht treaty, and no decision is expected before the end of July.

The challenges go to the heart of the issue of whether the German government, and the parliament, can legally transfer to EC institutions the sort of sovereign powers contained in the treaty.

In spite of an outward appearance of calm, there is clearly some nervousness in Bonn that constitutional court judges could call the ratification of the treaty into question, or at least delay final confirmation of the decision. That could make Germany, in spite of its large parliamentary majority in favour of the treaty, the last EC member state to deposit its ratification decision in Rome – home of the Treaty of Rome.

Senior officials in the government are confident the court will not question the ratification itself, but it may call for more restrictive accompanying legislation, requiring even greater democratic control over EC decision-making.

The complainants, however, led by Mr Manfred Brunner, former *chef de cabinet* to Mr Martin Bangemann, the senior German EC commissioner, believe they have an outside chance of upsetting the process, and even of forcing the government to hold a referendum on the issue.

The challengers include four Green Party members of the European parliament, who charge that the Maastricht treaty provides for inadequate democratic control of EC decisions; an independent member of the Bundestag, the lower house of parliament in Bonn, who claims his democratic rights as an MP have been restricted; and the two main extreme right-wing parties, the Deutsche Volksunion (DVU) and the Republicans, as well as a dozen more or less distinguished individuals.

The core of their challenges concerns the fact that the treaty will affect fundamental constitutional rights safeguarded in the country's Basic Law, and which cannot be amended even with a two-thirds majority of parliament.

The articles in question are Article 1, on the protection of human dignity, and Article 20, which sets out the basic principles of Germany as a democratic and social federal state. The latter goes on to state that "all state authority emanates from the people. It shall be exercised by the people by means of elections and voting, and by specific legislative, executive and judicial organs."

Mr Brunner and his fellow plaintiffs claim the transfer of sovereignty to Brussels and EC institutions, in areas such as economic and monetary policy, foreign policy and the like, offends against those articles. They also maintain that the EC is not democratically controlled because the European parliament lacks adequate powers, and therefore properly controlled German powers will be exercised by inadequately controlled EC institutions.

In spite of urgent efforts by Bonn to speed the processes of the constitutional court, the judges in the second chamber, who are hearing the case, are overwhelmed by at least two other important issues: liberalising the abortion law, and allowing German troops to serve outside the Nato area.

IG Metall predicts acceptance of steel deal

By Judy Dempsey in Berlin

STEEL, metal and engineering workers throughout east Germany will soon accept the Saxony compromise agreed last Friday between IG Metall, Germany's powerful engineering union, and the employers, union officials predict.

Mr Jörg Barczynski, IG Metall's federal spokesman, was confident yesterday of acceptance despite the initial rejection of the deal in Mecklenburg-Western Pomerania and Berlin-Brandenburg.

However, strikes in the steel industry could continue "for a bit longer" because it would not receive the same pay increases as the metal and electrical workers.

Last week's agreement between Gesamtmetall, the metal and electrical employers' association, and IG Metall delays the equalisation of east and west German wages by two years to mid-1996. Pay increases, designed to bring eastern wages up to 80 per cent of western German levels last April, will be postponed until next December.

Mr Barczynski said these pay rises, although short of the 26 per cent for the metal and electrical sector agreed in the March 1991 contract between the union and employers, still represented a victory.

"In practice, the pay increase is about 21.7 per cent if we take into account other gains, such as two days longer holidays and Christmas money."

Yesterday, union officials in Berlin-Brandenburg said they wanted equal wages among the steel and metal industries.

Talks are due to resume today with the metal and electrical employers, but the union said strikes in the steel sector would continue until the steel employers drew up a separate agreement.

Mr Michael Böhm, IG Metall's spokesman in Berlin-Brandenburg, said: "The Saxony agreement makes the road to income parity too long, and the wage increase this year too small."

The union yesterday started holding ballots in Saxony to end the strike. If 25 per cent of its members vote Yes, the strikes could be called off in that state tomorrow. Ballots are expected to take place today in Saxony-Anhalt and Thuringia.

Yes campaigners take part in a boisterous demonstration outside parliament in Copenhagen yesterday

Danish Yes is no panacea for EC's fundamental ailments

Lionel Barber in Brussels lowers expectations for today's vote

Danish referendum

THERE is always an element of Russian roulette in a referendum, and the Danes have always liked to live dangerously. But if the opinion polls are to be believed, the Danes will today approve the Maastricht treaty which they narrowly rejected almost a year ago.

A Danish Yes, however grudging, would allow the EC to resume its halting progress toward political and monetary union. It would give a fillip to Mr John Major, British prime minister, as he pushes the Maastricht bill through final ratification in parliament. Barring an upset in the UK courts (and the German constitutional court), Maastricht seems set for the greatest comeback since Lazarus.

Yet a positive vote in Denmark will not have any impact on the fundamental problems facing the EC: rising unemployment, low investment, a public spending crisis in most member states, and continuing monetary instability. Nor will it resolve the central Maastricht dilemma: how to bridge the gap between what the Twelve were able to agree in December 1991 and what European public opinion has since been willing to accept.

This holds true not only for "semi-detached" EC member states such as Denmark and Britain, but also for the traditionally integrationist countries such as France and Germany, where today a majority of Germans would probably vote against giving up the D-Mark in return for a single European currency.

Nor will Danish approval of Maastricht dispel the impression of double-dealing which has permeated the treaty ratification process ever since the Danes first threw it out. As one of the European Commission's senior legal advisers inadvertently confirmed recently, the Danes are voting on the same treaty, whatever the extravagant claims made about the legally binding opt-outs obtained by the Danish government at last December's Edinburgh summit.

Those opt-outs detail Danish exemptions from the third phase of monetary union, when the Twelve are supposed to move to fixed exchange rates by 1999 at the latest; a common EC defence policy; common citizenship; and co-operation on justice and immigration matters at a Community rather than an inter-governmental level.

The Danes won these exemptions in the original treaty negotiations; but they have since undertaken to *bind* themselves, not just now but in the future, to withdraw from these parts of the European union foreseen under Maastricht.

The Danish deal which was deemed necessary to salvage the treaty looks very much like turning the EC Community into a Community *a la carte*. Yet there is a precedent: 18 months ago, the UK rejected the Maastricht social chapter and reserved its right to take part in a single currency or European monetary union. The question is whether countries wishing to join the EC club will now demand similar preferential treatment, creating a new, multi-speed Community.

The official line in Brussels is that Austria, Finland, Norway and Sweden cannot expect the Danish treatment; privately, senior EC officials say none of these applicant countries has the muscle to secure such exemptions. Indeed, some predict that at least one, possibly two applicant countries will prove unable to persuade their public to support the Maastricht terms.

Norway, which rejected EC membership in 1972, is put in the riskiest category; but officials say the slow pace of enlargement talks with Austria reflects the weakness of the coalition government and concern about how EC membership may affect next year's general election. One senior Commission official offered the blunt assessment that a partial failure of the enlargement talks could be useful in that it would deflate the aspirations of eastern Europe's emerging democracies.

Such views underline how Maastricht has failed to resolve the tensions between those in the Commission and the federalist-minded EC states such as Belgium and the Netherlands who want to "deepen" EC institutions at the expense of national sovereignty, and countries like Britain and Denmark who wish to "widen" membership and focus more on its economic aspects, notably its ability to expand eastwards as a free trade area.

Sir Leon Brittan, EC Commissioner for external economic relations, argues that it is time the Community focused on pressing matters at hand, such as concluding the Uruguay Round in the Gatt trade talks and meeting the historic challenge of integrating eastern Europe into the west, both politically and economically. On institutional change, he says: "I don't think it's the right time. This is not Maoist China, I don't believe in perpetual revolution."

A Danish No would challenge these assumptions, if only because it would force member states to re-examine the limits of their co-operation, perhaps encouraging some to venture beyond what was agreed at Maastricht.

The most obvious parallel is 1963, when President Charles de Gaulle vetoed British membership (encouraging Denmark to stay out, too). Within weeks, de Gaulle and Chancellor Adnenauer signed the Elysée treaty, the foundation of Franco-German co-operation which has underpinned the EC in the 30 years since, with the UK all too often left on the sidelines.

EC prescribes Russian bank fraud cure

By Leyla Boulton in Moscow

THE CENTRAL bank of Russia must simplify its bureaucracy in order to combat banking fraud and supervise more effectively the country's commercial banks, according to a report financed by the European Commission.

The study on "restructuring needs of the banking system in Russia" to be published later this month, covers everything from banking legislation to the ailing payments system.

Drawn up by French bank Union Européenne de CIC and auditors Arthur Andersen, it says "current legislation and regulations do not provide any rules... to prevent or suppress the potential malfunction of the Russian banking system". It says there are too many small under-capitalised banks which "exist only to borrow funds on the interbank market or from private depositors" to finance unprofitable enterprises which are the banks' shareholders.

It notes the lack of rules limiting bank ownership by industrial or commercial enterprises. A rule forbidding single shareholders owning more than 35 per cent of a bank, does not specify whether this includes indirect stakes.

At present most commercial banks admit there is virtually no supervision from the central bank. The report suggests that, in the short term, the central bank should reduce the substantial amount of data it collects from commercial banks to focus on a few key indicators.

It suggests a rating system to reward banks which comply with central bank requirements, and calls for central bank guidelines on suspect transactions and money laundering.

Bankruptcy procedures should be better defined, as should a deposit protection scheme provided for by Russian law but which is so vaguely defined that insurance funds remain open to misuse.

Apart from supervision, the central bank's other persistent headache is overhauling a payments system which can take weeks to transfer money, loses documents and is vulnerable to fraud.

While five western central banks have begun concerted efforts to help the Russian central bank with this task, the report recommends standardising payment documents and using serial numbers to boost the system's "low" security level.

A few small reforms are already being implemented with foreign assistance.

The central bank which today launches Russia's first treasury bill issue, also plans to begin auctioning off central bank credits, according to Mr Alexander Khandruyev, a deputy governor of the bank.

The credit auctions, prepared with the help of the International Monetary Fund, are designed to ensure more effective distribution of central bank resources.

However, critics say the fact that the central bank will decide which banks can take part allows for possible corruption. It is also not clear how an auction based on the highest bidder will ensure that the money goes to worthy causes.

Moscow pledge on reforms to win IMF loan

THE RUSSIAN government and central bank will make a joint statement on Thursday pledging to push forward economic reforms in order to qualify for a $3bn (£1.9bn) loan from the International Monetary Fund, the country's finance minister said yesterday, writes Leyla Boulton.

Mr Boris Fyodorov said the declaration would be followed by an application by the IMF to its board of directors for the release of $3bn under a new systemic transformation facility designed to help countries switch to a market economy.

But rather than being an official IMF procedure, the statement appears to be an attempt by Mr Fyodorov to make reform promises as binding as possible on the rest of the government.

He hoped the government, which includes a number of conservatives who are senior to him, would for instance pledge to abstain from new spending decisions for the rest of the year.

Mr Fyodorov and the IMF fear a repetition of last year's scenario in which Russian authorities, including the present central bank governor, signed a statement of intent in order to receive a first $1bn loan from the IMF but never fulfilled its contents.

Asked why the IMF should release the money this time, Mr Fyodorov, who only two weeks ago complained the Russian president was not pressing ahead with radical reform, said at least Russia was not moving backwards.

"Maybe there is no rapid movement, but there is a movement forward which deserves trust," he said. For example, he said, he was successfully cutting budget expenditure in spite of a deputy central bank governor's statement to the contrary.

France warns of rise in jobless

LABOUR minister Mr Michel Giraud yesterday warned that France's unemployment rate of 10.7 per cent would rise much further by the end of the year, Reuter reports from Paris.

He said estimates by Unedic, the French unemployment fund, that the number of unemployed would rise by 340,000 this year were realistic. In the first quarter of the year, the number of unemployed grew by 88,000 to 3,066,400, or 10.7 per cent of the workforce.

Mr Edouard Balladur, the prime minister, who last week unveiled a mini-budget aimed at reviving growth, has already said he does not expect unemployment to peak before late 1993 or early 1994. The National Statistics Institute, in a report confirming that France had sunk into recession, forecast last week that the jobless rate would climb to 11.2 per cent as early as June.

The economic downturn was yesterday underscored by reports from union officials that Elf-Atochem, the chemical group, and Shell France, the oil company, planned to cut a total of 1,350 jobs.

Faced with the deterioration in the job market, Mr Giraud said the government must continue with measures to ease unemployment and companies must limit lay-offs.

A five-year employment plan being drawn up in consultation with employers and unions would aim to promote job creation by easing payroll taxes on low-paid workers, rethink the way part-time work is organised and improve vocational training.

NEWS IN BRIEF

Swedish workers face lock-out

A PAY and productivity dispute in Sweden's electrical sector escalated yesterday when employers locked out about 17,000 workers, many of whom have been striking for more than a week, writes Christopher Brown-Humes in Stockholm.

The move came after both employers and unions rejected a mediation offer.

The conflict threatens to disrupt production at both of Sweden's leading car manufacturers, Saab and Volvo, and to curtail activity in the building industry.

Kurds die in gunfight

Turkish troops killed 13 Kurdish guerrillas and wounded two in a gunbattle in south-east Turkey, agencies report. An official at the regional governor's office in Diyarbakir said the clash, the bloodiest since rebel Kurds declared a ceasefire in March, took place on Sunday near the town of Kulp.

Turkey says it does not recognise the unilateral ceasefire proclaimed by the banned Kurdistan Workers' Party (PKK) and has called on all PKK fighters to surrender unconditionally.

More than 5,600 people have been killed since the PKK began fighting for an independent Kurdish state in 1984.

Germany scraps separate data

Germany is scrapping separate trade data for the old East and West Germanys. The Federal Statistics Office said it would no longer publish separate trade figures for the two regions of the united Germany, Reuter reports from Bonn.

Officials said that it had become too complicated to calculate the data in time because of the creation of the European Community's single market.

In the past, the office published pan-German trade figures for each month, followed by release of separate sets of data for west and east Germany later in the month.

The office plans to release pan-German February trade data today.

Portuguese road blockade

Farmers yesterday blocked the main road from Lisbon to Portugal's second city Oporto with tractors to protest against cheap fruit imports from Spain, Reuter reports.

Reporters at the scene said about 100 farmers had blocked the road near Batalha, about 100km north of Lisbon. Police were diverting traffic to avoid the barricade, which had caused tailbacks of up to 1km.

The farmers' protest followed demonstrations by fishermen over two weeks to protest against cheaper Spanish fish flooding auctions in Portugal.

Austrian Nazi charge denied

Austrian right-wing leader Mr Gottfried Kuessel pleaded not guilty yesterday to charges of fascist revivalism for saying he wanted to relaunch the Nazi Party, Reuter reports from Vienna.

Mr Kuessel, head of the fringe People's Extra-Parliamentary Opposition group, was charged after telling Germany's Tele-5 and the US ABC networks in January 1992 he wanted to register the National Socialist party for elections.

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Spain's right quits Franco's shadow

By Peter Bruce in Madrid

SPANISH ELECTIONS

WHEN Spain's ruling Socialists, from prime minister Felipe González down, are out on the election campaign trail, they never mention General Francisco Franco by name. But they assume everyone knows who they are talking about when they refer to their conservative opponents in the Partido Popular (PP) as la Derecha – the Right.

"The Right have never trusted Spain," Mr Gonzalez shouted to an appreciative audience recently. "They ruled for a century and now they can wait awhile."

Reference to la Derecha is supposed to send shivers down the spines. The clear threat is that if la Derecha won the general election on June 6, there would be a taking of account, as there was after the Spanish civil war. People who have run with the Left would be marked and suffer discrimination. Who, after all, could forget the nearly 40 dark years of dictatorship under Franco?

So far, the scare tactic has worked. In three successive elections since 1982 Spaniards have returned the Socialists with overall majorities.

This time it may not work. The Partido Popular is neck and neck with the Socialists in the polls and is doing well among young voters and students who, the Socialists have begun to realise only recently, have no memory of Franco and see nothing shameful in supporting a conservative party.

The devaluation last Thursday of the peseta and a big rise in unemployment may also strengthen the view that a business-oriented party might be able to run the country better than the Socialists.

Mr Rodrigo Rato, a leading PP MP and a possible finance minister should the party win on June 6, says: "We ignore it now. We are another generation and the public just don't buy it. If the Socialists go on playing this game they are making a big mistake. We have become a mix of liberal and Christian Democrat."

The PP is a curious animal. It is a recent mutation of the former Alianza Popular, founded by one of General Franco's most famous ministers, Manuel Fraga. He created the AP in 1977 after refusing to serve under prime minister Adolfo Suarez, whom he considered too progressive.

When Mr Suarez's centrist UCD government collapsed in 1982 and the Socialists won their first election, the AP became the standard bearer to the right of the government.

While Mr Fraga was a visible presence in the AP, he was a convenient demon for the Socialists. It was widely assumed that, in a country with a natural majority to the left of centre, the conservatives could never progress far. But in 1989 the old man shuffled off to be elected president of his native Galicia and the AP began vigorously to shed itself of its Francoist heritage.

It is a job not yet quite done but it would be foolish to question the PP's attachment to democracy. "When Franco died [in 1975] the leadership of this party was 18 or 20 years old, for goodness' sake," says Francisco Alvarez Cascos, 45, the PP secretary general. "It is ridiculous to burden us with a memory that has nothing to do with us."

The patient re-positioning of the PP, bringing it closer to the vital centre of Spanish politics, is paying off. Largely because of the Socialists' inability to fight off recession and their unconvincing denials of corrupt party financing, young conservatives such as Mr Rato, Mr Cascos and the PP leader, José María Aznar – who were brought into politics by Mr Fraga but have made themselves independent of him – suddenly find themselves tantalisingly close to power.

"Nowadays," says Mr Cascos, "the only leader young people are able to use as a reference when they think about their problems is Felipe González. He has no credibility when he invokes the memory of Franco in front of these people."

The prospect of power seems to have softened them. "The Socialists are not the devil and we are not going to throw everything out of the window when we take power," says Mr Rato.

Not everyone believes that, but the PP and the Socialists agree more on policy than either would like to admit. Both claim they will freeze taxes after the election and then try to cut them. Both want a "social pact" with the unions and employers to help wrestle the country out of recession. Both want to keep the peseta in the exchange rate mechanism of the the European Monetary System. Both would actively use public spending to create jobs.

There are differences of style – the PP would privatise quicker and try to cut taxes deeper than the Socialists, but where the PP scores now is that it is a more united party than the Socialists. "I'm saying what all of my party is saying," says Mr Rato, "but Mr [finance minister Carlos] Solchaga cannot get his policies past his party."

That division lies behind the Socialists' likely electoral disaster. While the government has been chasing its vision of a modern, vibrant state rubbing shoulders with the rich and powerful, the party has had to struggle to hold its core vote in the forgotten and poverty-stricken countryside. The government and the party have different agenda and it has begun to show.

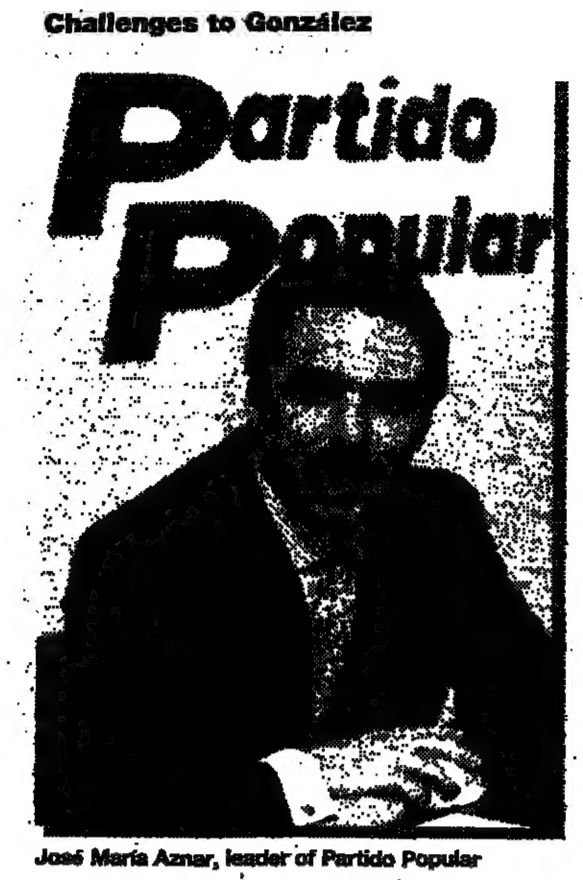
The conservatives have no such problem. They have an enthusiastic constituency and are rapidly building support among women and students.

Nevertheless, the PP knows it cannot win an overall majority and it is by no means certain that it will even win as many seats as the Socialists.

But the election will almost certainly result in a hung parliament and, in order to govern, the PP would have to do deals with the leading parties from the two regions of Spain most brutalised by Franco – the Basque Country and Catalonia. "Perhaps," ventures Mr Rato, "we might even do deals with the Socialists."

Any of those combinations would put Socialist demonology to the test and if even one of them worked, Spain might at last be able to get on with being a democracy without constantly being reminded about when it was not.

Challenges to González



José María Aznar, leader of Partido Popular


Francisco Álvarez Cascos, secretary general


Rodrigo Rato, parliamentary leader

JOSE MARIA AZNAR, the 40-year-old leader of the Partido Popular, is intense and serious. At election meetings he speaks in grave, clipped sentences while his right arm pumps up and down. His neat black hair and moustache can make this image a little uncomfortable at times. But there is little doubt that Spain's conservatives, liberals and Christian Democrats owe him a huge debt for making them real contenders to govern again after nearly two decades in the political wilderness.

He was made PP leader in 1989 and he has since succeeded in dragging the party from the right towards the centre, attracting young voters in the process. Mr Aznar would try to form a government of professional politicians and businessmen if the party let him.

Hungary set for austerity before election

By Nicholas Denton in Budapest

HUNGARY'S beleaguered and unpopular conservative government has defied conventional political logic by unveiling an austerity budget plan just a year before elections.

Mr Ivan Szabo, the finance minister, yesterday steeled the public and his own fractious MPs for painful tax increases and spending cuts to restrain a surging budget deficit.

"We have reached a point where we face a huge rock and we have to decide whether we climb it or not," the minister said.

Mr Szabo's parliamentary preview of a supplementary budget prepared the way for deep cuts in real public sector pay and an increase in value-added tax.

The finance minister said tough measures were necessary to bring the public sector deficit, which climbed to 7.3 per cent in 1992, down to 6.8 per cent of GDP this year and 5.6 per cent in 1994.

Only by reducing the shortfall can Hungary realise a draft 18-month credit agreement with the International Monetary Fund which would return the country to financial respectability.

In proposals submitted to the IMF, the government has outlined an increase in the lower rate of VAT from 6 to 10 per cent and the abolition of zero-rating, to raise an extra Ft40bn (£296m), or 1 per cent of GDP, for next year's budget.

The increase will hit Hungary's poor the hardest and is bound to enrage a public whose anger at this January's VAT increase – which led dozens of people to mount hunger strikes – is only now dying down.

The government also envisages a narrowing of tax exemptions, a clawback of income-tax exemptions on higher earners, and the imposition of additional fees for a wide range of public services.

To restrain expenditure the authorities have put forward deep real cuts in public sector pay, subsidies and transfers to local authorities.

OECD sees two more years of Icelandic gloom

By Christopher Brown-Humes in Stockholm

THE outlook for Iceland's economy in 1993 and 1994 is "distinctly unfavourable", the Organisation for Economic Co-operation and Development (OECD) said yesterday.

It forecasts a 1.8 per cent fall in the country's output this year, mainly because of problems in the fishing industry, which accounts for 75 per cent of exports. Weaker prices and sharply reduced cod supplies "have produced a financial and social crisis in the fisheries sector", it noted.

The report said Iceland was also being hit by poor demand for its two other big export products, aluminium and ferro-silicon. A third factor was the impact of rising unemployment and a tight government macro-economic strategy on domestic demand.

The report makes gloomy reading coming after last year's 3.25 per cent fall in GDP and 5 per cent drop in domestic demand. The OECD expects unemployment, which last year reached nearly 5 per cent, to rise to 5.3 per cent this year and 6.1 per cent in 1994.

But it believes the country's prospects will begin to brighten next year thanks to the impact of lower taxes, the depreciation of the Icelandic krona, wage moderation, and the benefits of membership in the European Economic Area.

"1994 will probably be a transition year, possibly benefiting from a recovery in export markets and early gains from European integration," it said, predicting GDP growth of 1 per cent. The organisation says Iceland should benefit further if it goes ahead with the planned construction of an aluminium smelter. Estimates show the project will add 1.75 GDP percentage points to GDP growth over the first three years of construction.

NEWS: THE AMERICAS

Justice Department asked for opinion on bank's challenge to Californian unitary tax system

US court delays Barclays tax ruling

By George Graham in Washington

THE US Supreme Court has asked the Justice Department for its opinion on Barclays Bank's suit against California's worldwide unitary tax system, forcing the Clinton administration to take sides on the issue. However, the court's decision also delays indefinitely any final decision on the 10-year legal wrangle.

Barclays has asked the Supreme Court to outlaw the unitary tax system, under which companies may be taxed not just on the profits they make in California but on a proportion of their worldwide profits calculated in line with the size of their payroll, property and sales in the state.

Previous US administrations have sided with Barclays in the case, arguing that the unitary tax method could unravel the system of bilateral treaties under which international taxation is regulated.

But President Bill Clinton promised influential California backers last June that "a Clinton administration will be pro-California in this matter".

Although his administration has not gone so far as to file a brief with the Supreme Court on California's behalf, it reversed previous administration policy by not filing for Barclays. While the Justice Department could file a neutral brief, the Supreme Court's request for an opinion will make it more difficult for the administration to sit on the fence between its California supporters, who have been at pains to remind the president of his pledge, and angry foreign governments, who have been vociferous on Barclays' behalf.

Mr Jerome Libin, of the Washington tax law firm of Sutherland, Asbill & Brennan, said that if the Solicitor General filed his views over the summer the court should announce whether it would hear the Barclays case on the first Monday in October.

However, there is no time limit on the Solicitor General, and Mr Drew Days, Mr Clinton's nominee for the office, has not yet been confirmed by the Senate.

"As a practical matter, and assuming that the Supreme Court were to agree to hear the case, a decision would be close to a year away," said Mr Jim O'Hara, worldwide head of tax with the Cleveland-based law firm of Jones Day Reavis & Pogue.

The UK government, however, has threatened retaliation that could cost California-based companies with British subsidiaries an estimated $50m a year if the matter is not resolved by the end of December. Inland Revenue officials are travelling to Washington this week for talks with the US Treasury.

Crackdown on crime bosses startles Brazil

By Christina Lamb in Rio de Janeiro

A RIO judge has taken the first step towards ending crime networks throughout Brazil. The surprise move could herald the end of Brazil's traditional soft approach towards organised crime.

The regular monthly court appearance for the *bicheiros* – men who run Rio's massive illegal gambling network – is usually a formality. They pay off local police and politicians, and the case investigating them for Mafia-style activities has been running for seven years with no progress.

But last Friday 12 of the city's 14 biggest crime bosses were handcuffed and led away agape after Judge Denise Frossard ordered their arrest for "threatening public order" after one of their bodyguards (an off-duty military policeman) was caught trying to enter the courtroom armed with a Colt 45 and a Magnum revolver.

Inspired by recent events in Italy, Ms Frossard's decision could put her own life at risk. An editorial in the Jornal do Brasil newspaper enthusiastically described it as "perhaps the most impressive moment in Brazilian judicial history". Ms Alba Zaluar, a leading authority on crime in Rio, says: "This may finally break the vicious circle of a justice system where only the poor go to jail."

Brazilians were riveted to their television screens watching the 12 men being led away and transferred under police escort to the Ary Franco prison to share a cell with eight others. There was much mirth as prison guards refused to allow the entry of an exercise bike brought by one of their aides.

Ms Frossard's ruling has been supported by her colleagues and Rio's chief justice says he will resist all pressures to drop her from the case. The move follows the opening of investigations into 15 of the city's top-ranking policeman for alleged corruption.

But the *bicheiros* have powerful friends. The gambling racket turns over millions of dollars a week and, although illegal, it is conducted openly on almost every street corner of Rio. The *bicheiros* finance many of the city's football clubs and run Carnival, sponsoring all the main samba schools. Only two months ago they were seen by 50m television viewers being embraced by the mayor of Rio during the Carnival parade.

A sentence is expected on Friday. Even if convicted, the *bicheiros* are expected to carry on running their lottery from jail and analysts fear they may use their estimated 30,000 strong ranks to unleash a campaign of violence in Rio.

UK sparks worries in Belize

By Canute James in Kingston

THE opposition in Belize has accused the government of having no alternative plans for the country's defence after British troops leave. Local economists are also expressing concern about the impact of the pull-out, announced by the British government last week.

The garrison of 1,400 troops was stationed in the central American country to deter neighbouring Guatemala, which threatened many times to invade the former British colony in pursuit of a 130-year-old territorial claim. The overall responsibility for defence will pass to the 600-strong Belize Defence Force.

Britain said it was closing the garrison, but would leave 150 soldiers in Belize and use the facilities for training. The move follows agreements between Belize and Guatemala in the past two years which have cleared the way for a diplomatic end to the dispute.

The contingent is a significant contributor to the Belize economy. Maintaining the garrison in Belize costs the British government about $40m a year. Economists say the country earns $35m a year (about a fifth of the country's gross domestic product) from the presence of the garrison.

The government denied it was unprepared for the British decision.

Pérez waits for court to settle his future

Impeachment looms for Venezuela's leader, reports **Joseph Mann**

VENEZUELA'S President Carlos Andrés Pérez, who survived two attempted coups last year, could be forced out of office by legal proceedings before his five-year term expires in February 1994.

The Venezuelan supreme court is expected to decide this week whether there is sufficient cause to impeach the president for alleged mishandling of $17m in government funds appropriated for security and defence purposes in 1989.

The charges – the first to be lodged against a sitting president in Venezuela's 35 years of democracy – were filed with the court in March this year by Mr Ramon Escovar Salom, the attorney-general.

The case, and the president's erratic reactions to the threat of impeachment, have caused a political crisis, confusing domestic and international capital markets and sparking fears of a new coup.

Venezuelan authorities have increased police and national guard patrols throughout the capital in anticipation of anti-government protests this week. Officials are particularly concerned that if the supreme court should decide in favour of the beleaguered president, the ruling could unleash violent demonstrations.

If the court decides that there is sufficient cause to proceed against Mr Pérez, the Venezuelan constitution says the Senate must then decide, by a majority vote, whether to confirm the decision.

If the senate does decide that the president should be tried – and Mr Pérez lacks a majority in the upper house – he will be suspended from office and then tried by the supreme court.

During the suspension, the chairman of the senate, Mr Octavio Lepage of the ruling Democratic Action (AD) party, is supposed to take over as acting president.

However, there is confusion over the legal situation. While the constitution stipulates a succession procedure, it does not clearly cover all eventualities.

Mr Pérez, for example, earlier this month said he would resign if the supreme court voted to impeach him or if it delayed a decision.

Now, however, he says he will appoint an acting president from his cabinet and devote up to 90 days to his legal defence; he denies all wrongdoing. The president originally told friends and associates on May 5 that he would resign, after the Venezuelan media revealed that the chief justice of the supreme court had issued a supposedly secret opinion favouring impeachment.

The president's apparent decision to hold on to office has occasioned intense legal and political debates over whether he legally can, or morally should, appoint a substitute in an attempt to avoid suspension by the senate.

Such a move could lead to a direct confrontation between the executive and legislative branches at a time when the country's political stability is very much in doubt.

Currently, a majority in congress favours the president's resignation, or at least his acceptance of a suspension from duties during the course of a possible trial. Lawyers say that if the president is found guilty by the supreme court, he would be removed from office and could go to jail. If he is found innocent, he would be reinstated for the remainder of his term.

Over the last few days, pressure has become more intense on Mr Pérez to quit. The chairman of his own political party called for his resignation and warned that a refusal to step down could cause violence, or leave Venzuela with two presidents – one appointed by Mr Pérez and the other by congress.

Carlos Andrés Pérez: pressure to quit growing intense

Other important political figures, including Mr Lepage (who stands to take over as acting president), and three presidential candidates from the opposition, also said Mr Pérez should leave office.

Supporters of the president say the charges do not prove any criminal activity and only indicate a series of administrative irregularities in handling money from a "secret account" in the Interior Ministry.

They say that the attacks on Mr Pérez have turned into a political witch-hunt and that the president may be forced to resign because of ill-founded allegations.

Ironically, Mr Pérez has added to his own difficulties with the supreme court. In the past, members of the court were closely linked to the ruling party and could be expected to rule favourably on any case where the government was involved.

However, last year Mr Pérez tried to depoliticise the supreme court, which now has five new members who are politically independent.

Peru's rebels step up violence before strike

PERU'S Shining Path rebels have stepped up their campaign of violence in advance of an "armed strike" called for this week to mark the 13th anniversary of the guerrilla war, AP reports from Lima. On Sunday the rebels bombed a bank and a bridge on the third day of an offensive that has killed seven people and wounded eight.

President Alberto Fujimori urged Peruvians to ignore the strike and promised the armed forces would tighten security in the capital.

Police helicopters clattered overhead and police and army patrols searched cars and checked identification in different parts of Lima.

The offensive was apparently aimed at intimidating Peruvians into staying at home during an armed strike ending tomorrow. During armed strikes, the rebels ban transport and commercial activity and kill those who disobey.

NEWS: WORLD TRADE

EC to push Japan over tariff cuts

By David Buchan in Paris

EUROPE would seek further tariff cuts, especially in processed food, from Japan which in talks in Toronto last week offered a 55 per cent reduction in about 770 industrial products, Sir Leon Brittan, EC trade commissioner, said yesterday.

In an attempt to allay persistent suspicions in Brussels that the Commission is signing deals behind the back of France and other EC governments, Sir Leon said the aim of last Friday's meeting in Toronto with US, Japanese and Canadian negotiators had been "to try to commit Japan, to a certain extent, to a market access agreement" before the Group of Seven's July summit in Tokyo.

Japan's tariff offer on industrial products is "a step in the right direction", he said, but it did not go far enough, particularly for processed foods.

Speaking before meetings with French ministers yesterday, Sir Leon praised last week's French government memorandum on Gatt as setting out "clearly and in detail" its position, though he was sceptical about the call for new forms of protection against unfair trade. "I think we have enough instruments; the question is whether the Community wants to use them."

The French memorandum urges the EC to revive its so-called new community instrument. This 1984 provision allows the Community to retaliate unilaterally against unfair trade practices, but has rarely been used for lack of a consensus within the EC council of ministers.

Sir Leon said he was counting on a definitive settlement of the US-EC oilseeds dispute next month. Future farm disputes with the US could be avoided, he told the Institute of Political Science in Paris on Sunday night, if the EC reached an overall agricultural agreement with the US and other Gatt partners. Such an agreement would also "give for the first time explicit recognition" to the EC's form of farmer support, while restricting US as well as EC export subsidies in cereals.

Ralph Nader: white knight

A consuming interest in trade

Veteran activist Nader turns on 'free trade', writes **Nancy Dunne**

AN ORDINARY consumer activist might be expected to applaud agreements which are designed to usher in freer trade – and, in theory, lower prices. But there is nothing ordinary about Ralph Nader, and never has been.

The ageing white knight of US consumer activism is as angry as when he first burst on the national scene in 1968 to fight for car safety. He has long identified the "imperialists" of multinational corporations as the enemy. And it is their influence with the US trade negotiating team that makes the Uruguay Round and the North American Free Trade Agreement suspect to him.

Mr Nader has for three decades has been battling everything from diseased fish to higher car prices or dental X-rays and defective tyres.

Since his heyday, he has suffered some loss of stature – critics portray him as a vengeful, thoroughly paranoid zealot – but he still ranks on the lists of Most Admired Americans, and there are still fans who, every four years, urge him to run for president.

Mr Nader has trained his attention to an ever-expanding list of goverument and corporate evils. And so it is that he is sharpening his lance and forming alliances for a crusade against the talks under the General Agreement on Tariffs and Trade and the Nafta.

What drew Mr Nader's attention to the Uruguay Round was the decision, pushed by the US, to devise global rules to stem the use of health and safety standards as trade barriers.

"Trade agreements are becoming more and more blatantly over-reaching," Mr Nader said, in a recent interview. "They are going way beyond tariffs and traditional commercial issues into overriding what they call 'technical barriers to trade'."

The great fear of Mr Nader and his allies in the environmental movement is that a Gatt or Nafta dispute settlement commission would find US standards actionable because they are more stringent than those of the rest of the world. Citizen groups have no influence with these international panels; they cannot bring cases, nor are they party to the closed-door discussions that lead to decisions.

Mr Nader is convinced that the multinationals will use these panels to weaken worker safety and food and health regulations.

The current Gatt should be abandoned, Mr Nader said. The US should restructure its relations to give the greatest trade advantages to democracies which uphold worker and human rights. Democracies should only give up some of their sovereignty if it is to a democratic trading organisation which allows petitioning by citizens and local governments as well as national governments.

Mr Nader slammed a foot-high stack of documents on his desk. "This is the Nafta," he said. "Fewer people have read this than have read and understood Einstein's theory of relativity. I'll guarantee you that 99 per cent of the so-called liberal free traders have never read this or have never read detailed summaries of this and are simply thinking this is nothing more than a late 20th century version of Portuguese wine trading for British textiles."

It is not possible to have a trade alliance with Mexico, which has "fundamental police state characteristics", he said. Besides its cheap labour, it has as a "comparative advantage" its failure to enforce its child labour law. No trade agreement with the US can compel the Mexicans to enforce their worker, health or safety laws.

"Mexico is the land of the ultimate no-law law. Non-enforcement of laws is a way of life."

Although he generally favours lowering or eliminating tariffs, the effort should not begin until there are "alternative employment opportunities", he said. In Mexico, for example, the planned phase-out of tariffs on maize over the next 15 years could dispossess 7m-8m peasant farmers.

"In the crime-ridden slums of Mexico City they can't even breathe fresh air or drink water. In the *maquiladoras* [border factories], they live in shacks. There is no community, no schools, no social life." Prostitution and drugs, he said, accounted for a high labour turnover although wages there are nearly the highest in the country.

The Nafta is expected to go to Congress this summer. It is already unpopular, and if Mr Nader has his way, he and his allies in the environment and labour movements will make it more so.

Germany to buy Norwegian power

A 25-YEAR contract for Norway to supply Germany with hydro-electric power has been signed by Statkraft, the Norwegian electricity utility, and PreussenElektra, one of the big three German power companies, writes Quentin Peel in Bonn. The deal, for an initial 2bn kW/hrs to be supplied to the German grid, will have to be approved by both the Norwegian government and German parliament.

It is the first long-term foreign electricity supply contract to be signed by PreussenElektra, and suggests a departure by the company in turning to foreign sources for competitive power supplies.

It also marks a further move away from dependence on nuclear and coal-fired power stations, which provide 95 per cent of the company's electricity supplies.

The deal – welcomed by the Green party as "a step towards abandoning nuclear energy," although the company denied this was intended – also provides for a cable linking Norway and Germany, either direct or via Denmark.

However, the power should initially be carried along existing power links via Denmark, and possibly Sweden. PreussenElektra is involved in laying a cable link to Sweden for a future exchange of power.

Ukraine seeking trade reform

By Chrystia Freeland in Kiev

THE Ukrainian government yesterday moved to repeal export quotas and slash export taxes in an attempt to boost falling trade revenues.

Foreign businessmen have been scathing about the system of export quotas and taxes introduced in Ukraine at the start of the year. Many western economists blame the arbitrarily administered and restrictive system for this year's sharp drop in the country's exports outside the former Soviet Union.

Government officials said the cabinet of ministers approved a decree yesterday which promised to cut by 80 per cent taxes on the export of a number of ferrous metals, cast iron, cement, chemicals and other commodities. The decree also calls for the removal of export quotas on several categories of goods.

If the decree is implemented it will bring the rules governing Ukrainian exports outside the former Soviet Union closer into line with the more liberal regulations on exports to other member countries of the Commonwealth of Independent States.

Mr Serhii Teriokhin, deputy minister of the economy, said the attempt to liberalise trade with countries beyond the former Soviet Union was aimed at compensating for the republic's deteriorating economic relationship with Russia.

Over the past year Russia has incrementally raised prices for the oil and gas which it supplies to Ukraine. Experts estimate that Ukraine, which traditionally received Russian fuel at a fraction of the world price, now pays 70 per cent of world rates for the oil.

The government decree is likely to meet guarded approval by businesses, still smarting from export restrictions imposed at the beginning of the year.

Twelve fix steel duties for east

THE EC has fixed definitive anti-dumping duties of up to 21.7 per cent on seamless iron and steel tubes imported from Hungary, Poland and Croatia, writes Andrew Hill in Brussels.

But officials said yesterday the duties were "theoretical" as almost all steel producers in the countries had given price undertakings, exempting them from duties.

The Commission fixed provisional duties in November after EC producers complained the industry was being undermined by cheap imports. The duties have now been fixed, with immediate effect, at 21.7 per cent for imports from Hungary, 17.4 per cent from Croatia and 10.8 per cent from Poland.

The EC has also decided to set tariff-quotas on a wider range of Czech and Slovak steel products as part of measures aimed at protecting EC industry from the cheap imports.

Britain suspends export credit cover for Tehran

By David Dodwell, World Trade Editor

BRITAIN'S Export Credits Guarantee Department has effectively suspended medium- and long-term export credit cover for Iran because of concerns over the country's shortage of foreign exchange.

The move is part of a stand by leading export credit agencies unwilling to accept Bank Markazi as the Iranian government's choice as guarantor of export deals. British exporters were notified of the decision in a letter on April 19, the ECGD said yesterday.

Japan's trading houses are believed to have arrears of up to $700m, according to the specialist publication International Trade Finance. About $300m of this was covered by the Ministry of International Trade and Industry.

In 1992 Britain's exports to Iran grew by about 10 per cent to £568m ($874.72m), giving a trade surplus of £404m. Iranian imports from Britain totalled £127m in the first quarter of this year.

The country's total imports in the year ending in March 1993 were $20.8bn, down from $25bn the previous year as balance of paymentsproblems grew more acute.

The suspension of cover is expected to have marginal impact on British exporters. The ECGD resumed cover in December 1991 after having kept it off cover for 10 years. An unresolved dispute over repayment of debts dating back to the Shah's regime has prevented export deals being given backing since then.

Other governments have had similar disputes, but some resumed medium-term credits.

German, Japanese and Italian banks are thought to have the greatest exposure, although none is forthcoming on the extent of exposure.

Payment problems appear to have been of greatest concern in the *à forfait* market, where German, Japanese and Italian banks are thought to be holding several billion dollars worth of Iranian letters of credit.

● The German Finance Ministry has confirmed a newspaper report that the government was forced to cover DM2.2bn ($1.36bn) in defaulted payments on export credits made to the former Soviet Union, Iraq and Brazil in 1992, Reuter reports from Bonn.

A spokesman said the Commonwealth of Independent States defaulted on credits totalling DM955m. He added that Brazil also defaulted on Hermes export credits totalling DM747m and Iraq defaulted on DM312m. The figures were in a Finance Ministry report to parliament's budget committee.

Because of the high rate of defaulted loans and uncertainty about future solvency, Bonn has warned German companies against conducting business in the former Soviet Union.

Bankruptcies in Japan rise by 3.9%

By Robert Thomson in Tokyo

JAPANESE corporate bankruptcies in April rose 3.9 per cent year-on-year, but the amount of outstanding debt was 55.9 per cent lower than a year earlier and property-related bankruptcies fell sharply.

Bankruptcies linked to the downturn in the Japanese economy, as distinct from speculative failures, accounted for 61 per cent of the 1,154 cases last month, according to Teikoku Data Bank, a private research agency.

Another sign of the continuing downturn was a 10.3 per cent fall last month in Tokyo department store sales, with weakening demand for most lines and, in particular, for luxury goods and more expensive household products.

The Japan Department Stores Association said the sales fall in April was the 14th consecutive month of year-on-year decline, and reflects the lack of confidence of Japanese consumers, whose spending has fallen as overtime hours have been reduced and job security threatened.

Bankruptcies of retailers were also 23.7 per cent higher than in the same month last year, and a fall in sales was identified as the cause of 47.7 per cent of last month's failures, which left liabilities of Y337.67bn (£1.99bn) down 55.9 per cent.

Property company bankruptcies, at 56 cases, were at their lowest level since January 1991 and, by value at Y54.7bn, the lowest since November 1990, when the collapse in property prices began to take a toll on the country's more aggressive developers.

Teikoku Data Bank suggested that the recent appreciation of the yen was likely to lead to increasing bankruptcies in currency-sensitive industries, such as suppliers of parts to exporters, while there was no sign that the slump in consumer confidence is nearing an end.

● In Japan's latest influence-peddling scandal, the Tokyo District Court sentenced a businessman yesterday to five years and six months in prison for giving Y90m in bribes to a former cabinet minister, AP adds.

Mr Goro Moriguchi, a former vice-president of Kyowa, a steel-frame maker, admitted that he gave the cash bribes to Mr Fumio Abe, a former senior political ally of Mr Kiichi Miyazawa, the prime minister.

Mr Masaru Suda, the presiding judge, told the court Mr Moriguchi handed over the bribes in return for favours while Mr Abe headed the Hokkaido Development Agency in 1990.

Mr Suda also accused Mr Moriguchi of swindling trading companies out of Y6.9bn by tricking them into making advance payments for transactions involving Kyowa.

The company is now bankrupt.

Chinese put money where their Mao is

Traders quick to cash in on 100th anniversary of the leader's birth, says Tony Walker

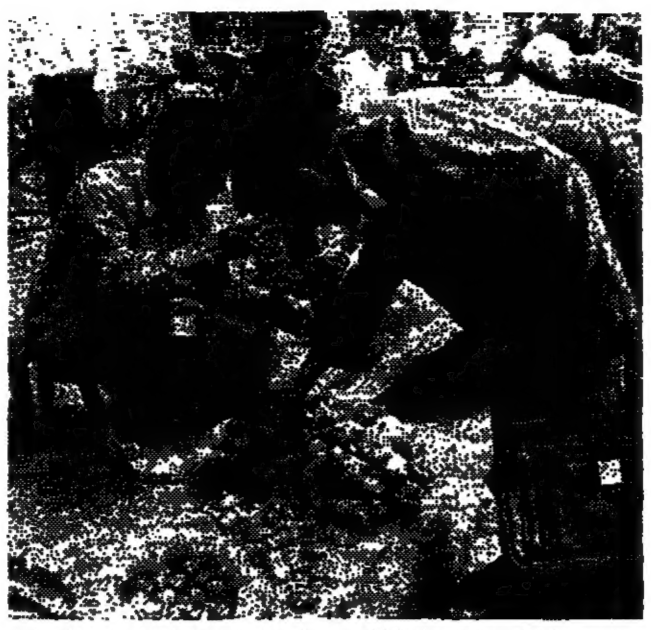
IN THIS 100th anniversary year of his birth Mao Zedong might turn in his grave at such displays of raw commercialism.

Mao badges, buttons, little red books, portraits, busts, memorial coins, stamps, kitsch cigarette lighters and dozens of other trinkets of China's revolutionary past are being sold in a dusty Shanghai park by traders seemingly more interested in the capitalist road than they are in the glorious history of the revolution.

Old Mr Lin, a peasant farmer from Jiangsu province, reckons he has accumulated 8,000 Mao items, dozens of which he drags, cascading from sacks, satchels and the deep pockets of his patched jacket.

"Of course, Mao would be very happy seeing me selling his badges; he believed that we should make revolution first, and then get down to business," said Mr Lin with a commercial glint in his eye, lifting up his pullover to display a selection of badges pinned to a grubby vest.

The brisk trade in Mao memorabilia in Shanghai and at dozens of other locations throughout China probably also represents yearning for the past among older-generation Chinese who are having enormous difficulty coming to terms with what they regard as a "money-grubbing" present.



A businessman demonstrates the capitalist spirit in China as he choses and weighs vegetables in a Shanghai market

Mao, for all his enormous faults, for all the heartbreak and misery his vainglorious theories about perpetual class struggle brought to millions, still represents a degree of certainty in a world that is undergoing revolutionary change.

Thus, one old man in the Shanghai market said that whatever mistakes Mao might have committed in his later life he should be revered for flattening China's "three big mountains": feudalism, colonialism and imperialism.

Mao as a talisman is also undergoing something of resurgence among young Chinese: those who were perhaps too young to be directly exposed to the madness of the Cultural Revolution between 1966 and 1976, when life was turned upside down, often tragically, for millions of families.

Mao portraits, like an enigmatic oriental St Christopher, dangle from the rear-view mirrors of thousands of vehicles throughout China. Somehow, in death, the "great helmsman" has become the patron saint of Chinese drivers; and superstitious stories abound of cars displaying his portrait avoiding accident in a country where 100,000 people died on the roads last year.

In this anniversary year of the birth of a man whose legacy to China is extremely complicated – official judgment holds that he was 70 per cent "good" and 30 per cent "bad" – the authorities seem undecided about how to mark the occasion. This is partly, one suspects, because the leadership understands that Mao would not approve the course they have adopted, which is to embrace capitalism in all but name.

Indeed, drawing undue attention to Mao and his thoughts might highlight the contrast between past certainty, however austere, and present uncertainty. A deeply flawed Mao remains, nevertheless, an important symbol of Communist party legitimacy at a time of rapid change and weakening ideology when his heirs clearly wish to preserve a link, however tenuous, with a revolutionary past.

Preparations are going ahead to mark anniversary this December 26, albeit on a fairly modest scale at this stage. Much activity centres on Shaoshan village near Hunan's capital, Changsha, where Mao was born, the son of a relatively well-to-do peasant and grain merchant.

At Shaoshan, set in green and pleasant hills, additional memorials – as if there were not enough already – are being erected. A Mao library is under construction along with a new building housing Mao relics.

Elsewhere in China, artists, writers and film makers are also doing their bit to mark the anniversary. An album of calligraphic works is to be published to note the occasion, and three feature films and five TV dramas are in production.

At the Mao mausoleum on Tiananmen Square, where Mao has lain in state for most of the time since his death in 1976, no special arrangements have yet been initiated to mark the anniversary, although a small flurry occurred in the Chinese press recently when a Marxist scholar complained to the China Youth Daily that Mao's tomb was being defiled by undue commercial activity in its precincts, such as the sale of tourist items.

Mr Liu Mingyuan of the People's University wrote that the "practice of doing business inside Chairman Mao's mausoleum is unconscionable".

Mao's corpse in this anniversary year has not been immune from scare stories. China was recently obliged to deny rumours that the embalmed body was rotting away in its glass sarcophagus.

Back at the Shanghai Cultural Revolution relics market it is doubtful that concerns about the state of Mao's corpse, or the well-being of the Communist party, were much in mind as traders haggled and bargained.

Old Mr Lin certainly exhibited no ideological qualms: "This business I'm doing now", he said, dragging more Mao kitschery from the recesses of his satchels, "is a celebration of his anniversary."

Urban inflation rate at 17% as retail sales rise 25.4%

By Tony Walker in Beijing

SURGING retail sales and accelerating cost of living increases have underscored the need for China to take urgent steps to cool an overheated economy.

Economic data released yesterday, two days after China raised interest rates in an effort to calm activity, show that in April urban inflation touched 17 per cent on an annualised basis and retail sales leapt by 25.4 per cent compared with 1992.

The April cost of living figures, which confirm that inflation has entered a strong upward spiral, are certain to strengthen the hands of those in the Chinese leadership arguing for tougher measures to bring the economy under control.

This week's ominous news for China's leaders also coincides with the release at the weekend of trade figures for the four months to April which show imports up 24.7 per cent, while exports rose just 7.7 per cent.

China's trade deficit swelled in the first four months to $1.77bn, reversing an almost unbroken sequence of monthly surpluses since 1990 in the wake of the 1988 tough import curbs.

The 17 per cent inflation figure recorded in China's 35 larger cities to April compares with 15.7 per cent in the first quarter. Western economists in Beijing say that the leadership cannot afford to ignore dangers posed by the strengthening inflationary trend.

Some officials are sceptical about measures adopted thus far, including the less than 1 percentage point increase in bank lending rates announced on Friday.

NEWS IN BRIEF

NZ banks cut interest rates

NEW ZEALAND'S banks yesterday cut retail interest rates to last year's levels following a revived New Zealand dollar and lower interbank rates, Reuter reports from Wellington. Three main banks cut base rates by one percentage point to between 8.9 and 10 per cent.

Favourable news on inflation, the government deficit and current account deficit has helped push the New Zealand dollar higher and wholesale short term rates almost half a percentage point lower in the past two weeks to 6.5 per cent.

The central bank tightened monetary policy on January 6, pushing interbank rates to 15 per cent.

Sri Lankans vote in peace

Elections for Sri Lanka's regional councils took place peacefully yesterday, within a month of the assassination of two political leaders, Reuter reports from Colombo.

"It was a clean, a fair poll and incident-free. There was no violence... nothing, nil," said a spokesman for the Police Election Office.

The ruling United National Party controls all seven councils but faced a stiff contest from the five-party People's Alliance and the Democratic United National Front (DUNF).

The campaign was soured by the murders of President Ranasinghe Premadasa, blown up by a suicide bomber on May 1, and DUNF leader Lalith Athulathmudali, gunned down on April 23.

Hyundai chief on trial

Mr Chung Ju-yung, the founder and honorary chairman of South Korea's Hyundai conglomerate, yesterday went on trial for accepting illegal campaign contributions during his failed presidential bid last year, writes John Burton in Seoul.

The government charges that Mr Chung illegally diverted $60m (£39m) from Hyundai Heavy Industries, the group's shipbuilding subsidiary, to finance his campaign.

Mr Chung told the Seoul District Criminal Court that he believed that the money he received came from the sale of some of his shares in HHI.

Royal Navy quits HK base

The Royal Navy pulled down the flag on its base in central Hong Kong yesterday, ignoring complaints from the colony's future Chinese rulers, Reuter reports from Hong Kong.

In a ceremony laden with pomp from the colonial era which ends with the territory's 1997 return to China, the Navy withdrew from the land base – known as HMS Tamar – so it can become a high-rise office development.

Last month a Chinese spokesman attacked Britain for making what it said was a unilateral decision to move the base across the harbour.

India and Israel hold talks

India and Israel, holding the first high-level talks after decades of friction over the Palestinian issue, agreed yesterday to promote democracy as a foil against Islamic fundamentalism in Central Asia, Reuter reports from New Delhi. The issue was discussed in talks between Mr Shimon Peres, Israeli foreign minister, and Mr R L Bhatia, India's deputy foreign minister.

Taiwan bids to rejoin UN

Taiwan, backed by its economic strength, will make a big effort to rejoin the United Nations, according to Mr Fredrick Chien, foreign minister, AP reports from Taipei.

On Saturday, President Lee Teng-hui said it was "immoral and unfair" to exclude Taiwan from the UN. Beijing would be certain to oppose any serious consideration of Taiwan's proposal.

Saudis clamp down on human rights group

By Roger Matthews, Middle East Editor

SAUDI ARABIA yesterday sought to justify its clampdown on a self-proclaimed human rights group, arguing that the basic law of government enshrined full freedoms for the kingdom's citizens.

Dr Ghazi Algosaibi, the Saudi ambassador in London, said if the group was genuinely interested in human rights "the logical step would have been to refer to the basic law and work within its framework".

The seven members of the group, which described itself as the committee for the defence of legitimate rights, have all been dismissed from their official posts.

In a statement issued on May 3, the seven, who described themselves as Islamic scholars, said their objective was "to contribute in whatever way to the elimination of injustice, to offer support to the oppressed and to defend the rights of man". They asked Saudis to contact them about any individual grievances.

The announcement of the group's formation was seen as a direct challenge to the authority of the council of senior ulema which oversees religious affairs in the kingdom. The council said that the group was illegitimate and was to be condemned because no one in Saudi Arabia was barred from expressing their grievances before the established courts.

The swift official response underlines the sensitivity of the regime to accusations from radical Islamic groups that it is failing to govern according to the tenets of the Koran.

In the aftermath of the Gulf war the mutawwa, the civilian enforcers of strict Islamic behaviour, stepped up their activities in the main population centres, and there were reports of several radical clergy having been banned from preaching.

Their activities have increasingly eclipsed the efforts of the more liberal, westernised groups in Saudi Arabia to persuade the government to introduce a degree of political liberalisation.

Unep chief protests over budget

THE NEW head of the United Nations Environment Programme complained yesterday that its budget had been cut despite pledges of more support at last year's Rio de Janeiro Earth Summit, Reuter reports from Nairobi.

Ms Elizabeth Dowdeswell of Canada, in her first address since taking over at Unep four months ago, told its annual governing council that lack of cash undermined the credibility of the 20-year-old agency.

"The question being asked by many is this: What happened to the agenda agreed at Rio, which called for Unep's role to be enhanced, for its resources to be expanded? And yet its budget has been shrunk," she said.

"Governments are ready to put only a quarter of the $1.8bn [£840m] [they pledged] into the environment fund. Is it any wonder that our critics view with scepticism the real commitment?" she said in Nairobi.

She gave no figures for a budget cut worked out by a council meeting last week.

Government 'knew' arms were diverted

By Jimmy Burns

THE government signed a major defence package with Jordan in 1985 in spite of having suspected that the country was being use to divert military equipment to Iraq, according to evidence gathered by the Scott arms-for-Iraq inquiry.

Miss Presiley Baxendale QC, counsel for the inquiry, said yesterday: "Papers we have seen show that by 1985 there was government knowledge that Jordan was being used as a diversionary route for military equipment to Iraq."

Under government guidelines at the time, during the Iran-Iraq war, no equipment capable of prolonging the conflict should have been exported to either combatant.

The revelation raises renewed and potentially embarrassing questions about a deal that involved government ministers, and a secretive government-owned company.

Government documents in possession of the inquiry team show that in September 1985, the government signed a memorandum of understanding between the UK and Jordan. This was later to result in a £270m defence package which was arranged by International Military Services (IMS), a defence company wholly owned at the time by the Ministry of Defence.

In response to past questions in parliament, both Mr John Major and Mrs Thatcher, when prime minister, have refused to comment on IMS on grounds of commercial confidentiality.

Miss Baxendale referred to previously restricted MoD documents which show that IMS was criticised by two defence officials in July 1985 for allegedly attempting to evade the guidelines. The criticism referred to a contract for the supply of armoured recovery vehicle spare parts to Iraq which were instead used to supply tanks.

The inquiry also heard evidence yesterday from Sir Adam Butler, minister for defence procurement between September 1984 and September 1985. Sir Adam said he had no personal knowledge Jordanian diversion of equipment.

The inquiry headed by Lord Justice Scott is investigating whether official guidelines were breached with the knowledge or complicity of the government. It was set up in November in response to public controversy surrounding the collapse of the Matrix-Churchill case in which three former directors of the machine tools company had been accused of illegally trying to export arms-making equipment to Iraq.

Bank hopes governor's pay freeze sets trend

By Peter Marsh and John Gapper

MR EDDIE George, the new governor of the Bank of England and a man wedded to low inflation, has agreed to freeze his salary of about £210,000 for his five-year period of office.

The Bank said it knew of no-one else in Britain who had shown similar restraint over pay. "We hope Mr George will start a new trend," it said.

Mr George, the current deputy governor who takes over the top job on July 1, is known within Threadneedle Street as "the last Stalinist" on account of his tough, autocratic management style.

He is convinced that Britain must curb price and wage pressures if it is to create a sound economy in the 1990s, a message to be driven home today in the Bank's new quarterly report on inflation.

The five-year freeze indicates Mr George is anxious to avoid a repeat of the row two years ago when news emerged of a 17 per cent pay rise agreed by Mr Robin Leigh-Pemberton, the current governor. At that time, he was urging low wage increases to curb inflation.

Mr George, who has been at the Bank for 31 years, is thought to have agreed a salary of between £200,000 and £220,000. The salary – the same as the amount paid to Mr Leigh-Pemberton last year – is considerably more than that earned by other public servants, but well below the pay of many top names in the City. Mr George is reputed to have turned down in recent years £1m-a-year jobs from big financial services companies.

The news about Mr George failed to impress the Banking, Insurance and Finance Union which yesterday called for the Bank to open pay talks for its 4,500 members there. Mr Jim Lowe, the union's assistant secretary for the Bank said: "A pay freeze is easier to bear when your salary is over £200,000."

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Clashes on Timex picket line in Scotland

By Robert Taylor, Labour Correspondent

Police arresting a picket yesterday following clashes during a demonstration by 3,000 protesters outside the Timex plant in Dundee

THIRTY-eight people were arrested yesterday after clashes between police and demonstrators outside the Timex electronics plant in Dundee, where 343 workers have been involved in a bitter three-month-long dispute.

At least two policemen were injured as more than 3,000 demonstrators from all over Britain tried to blockade the plant to mark the 90th day of the dispute.

Under employment legislation, Timex is now legally entitled to to selectively rehire some of the original workforce whose dismissal and replacement by 271 new workers sparked the dispute. Timex, the US multinational, is unlikely to rehire all 343.

Any such decision seems likely to intensity feelings which yesterday produced the worst scenes of picket line violence so far.

Mr Peter Hall, the company's UK chief executive, said that he would issue a statement today explaining what Timex intended to do. "It will not be an earth-shattering announcement", he said.

At midnight last night it was 90 days since Timex fired all its production employees, the statutory limit in law after which an employer can rehire some of them selectively without facing charges of unfair dismissal from the rest before an industrial tribunal.

Throughout the dispute Mr Hall has been determined to act within the letter of the law. He has refused repeatedly to enter into negotiations with the AEEU engineering union or seek conciliation through the Advisory Conciliation and Arbitration Service.

Last night, he said Timex wanted to employ a further 230 workers. Applications for the jobs had been arriving at the plant in response to advertisements placed locally. There are currently 271 workers at Timex who have taken on jobs previously carried out by the workforce that was dismissed.

Mineworkers' union president Mr Arthur Scargill took part in a rally close to the plant. He called on the labour movement to call a 24-hour strike in support of the Timex strikers.

AEEU leaders were quick to condemn yesterday's trouble outside the Timex plant. "Such scenes of violence and stupidity are in no way organised or condoned by the AEEU", said Mr Jimmy Airlie, the union's executive member for Scotland. "It will in my opinion damage the cause of the Timex workers and could prolong the dispute".

Mr Bill Jordan, the AEEU's president said: "This is not doing anything at all for our members on strike. We are still looking for a negotiated settlement not a confrontation on the picket lines."

Telephone insurers poised to double market share

By Richard Lapper

INSURANCE companies which sell policies directly to the public by telephone are poised to double their share of the £6.1bn UK motor insurance market over the next five years, according to a new survey by the London-based GSR group.

It estimates that "direct writers" – which cut out the industry's traditional brokers – will sell two in every five motor insurance policies by 1998. In 1992 the three biggest direct writers – Direct Line, Churchill and The Insurance Service (TIS) – spent £5.6m on advertising, just under 25 per cent of an industry total of £29m. Swinton Insurance and AA Insurance, the two biggest chains of insurance brokers, which also sell policies by telephone, spent £6.53m in 1992.

Meanwhile, spending on non-life insurance rose from 1.05 per cent of disposable income in 1980 to 2.2 per cent in 1991.

Commercial vehicle sales fell by 1.7% in April

By Kevin Done, Motor Industry Correspondent

NEW commercial vehicle sales declined in April by 1.7 per cent, but there are growing signs that demand is recovering in key segments such as trucks and panel vans.

Leyland Daf, the former UK truck market leader, has suffered heavily from its financial collapse in February, with its van sales more than halved in the first four months of the year. Its truck sales have also fallen by 19 per cent in an overall market segment that has risen by 2 per cent.

The company has been pushed into third place in the overall truck market behind the Iveco group of Italy, which includes Iveco Ford and Seddon Atkinson, and Mercedes-Benz of Germany.

In the heavy truck market – above 15 tonnes gross vehicle weight – Volvo and Scania, the Swedish producers, have benefited most from the demise of Leyland Daf. Volvo has taken over for the first time as UK market leader in this segment, while Leyland Daf has also been overtaken by Iveco.

The former Leyland Daf vans operation in Birmingham was rescued from receivership by a management buy-out late last month, while negotiations are also at an advanced stage for a management buy-out of the truck assembly operations in Leyland.

Overall UK new commercial vehicle sales in April fell by 1.7 per cent to 16,927 from 17,220 in the same month a year ago according to figures from the Society of Motor Manufacturers and Traders.

In the first four months of the year registrations were 4.5 per cent lower than a year ago at 67,171.

While total commercial vehicle sales have been lower than a year ago in three of the last four months, new truck registrations have been staging a modest recovery since mid-1992.

New truck registrations have been higher than a year ago in nine of the last ten months. The market remains fragile, but sales in April increased by 11.8 per cent year-on-year, while truck registrations in the first four months were 2 per cent higher than a year ago.

The main weaknesses in sales last month were in the light van, bus and coach, and light fourwheel drive utility vehicle segments.

Downing St reaffirms ERM commitment

By Ralph Atkins

THE PRIME minister's office yesterday distanced itself from remarks by Mr Kenneth Clarke, home secretary, that Britain was unlikely to rejoin the European exchange rate mechanism before the next general election.

Mr Clarke's weekend comments annoyed Mr Norman Lamont, chancellor of the exchequer, who has been careful to avoid specifying a timescale for Britain's return to the ERM. They added to speculation that Mr Clarke is eager to succeed Mr Lamont in a summer Cabinet reshuffle.

In words believed also to reflect Mr Major's frustration at Mr Clarke's intervention, a Downing Street spokesman said the Home Secretary had offered, "a personal view".

Although most Cabinet ministers agree privately with Mr Clarke that British ERM re-entry is a long way off, the obligations of the Maastricht treaty have restricted public comment on the likely timing.

Downing Street, however, made clear yesterday that it did not believe the second stage of European monetary union, due to start from January 1994, was likely to run to according to the Maastricht timetable.

A spokesman said Britain was "most unlikely" to be in the narrow bands of the European exchange rate mechanism, as required under stage two, by then. Mr Clarke, among the most pro-European of Cabinet ministers, has annoyed the Treasury by straying into its policy areas – although the Home Secretary's colleagues believing he was only stating the obvious.

UK government policy remains that re-entry depends on the conditions set out by Mr Lamont: principally on UK and German monetary policy being closer in line, and on a fundamental review of how "fault lines" in ERM can be overcome.

Amid rows over British Rail privatisation, the government is also preparing for a confrontation tomorrow with disaffected Tory MPs over the threat to rural post office's of moves towards the automatic transfer of state benefits to bank accounts.

● Tory Euro-sceptics were last night putting on a brave face ahead of today's Danish referendum on Maastricht, while acknowledging that the poll will probably result in a Yes vote.

If the Danes do vote Yes, the Maastricht bill will return to the Commons for its third reading on Thursday before moving on to the Lords. The government is assured of a large majority in Thursday's vote largely because Labour has decided to abstain.

Mr John Major, the prime minister, is expected to give an initial response to the referendum in a speech tonight at a CBI dinner. It is widely expected that a No vote would result in Thursday's business being changed.

MPs demand stricter EC control over state aid

By David Dodwell, World Trade Editor

EUROPEAN governments should be more strictly controlled in their use of state aid for industry, according to a report by a committee of British MPs.

Subsidies should also be frozen during any inquiry into alleged illegal state aid, according to a report by the House of Commons select committee on trade and industry.

The report attacks the slowness with which investigations into cases of state aid are concluded by the European Commission.

The report highlights concern that UK companies may be disadvantaged in competition against companies elsewhere in Europe – in particular in Italy, Portugal and Ireland – where government aid to industry is comparatively high.

It notes that even though the total levels of aid are declining, "what matters is how seriously state aids are distorting competition in the single market, and how seriously they are damaging UK companies".

In a strong endorsement of recent US criticisms of the EC procurement market, the report said: "Directives on tendering have been in force for some time but have proved inadequate."

Employers see confidence grow as wholesalers benefit from rise in consumer spending

Retail growth underlines signs of recovery

By Peter Marsh, Economics Correspondent

SIGNS that the UK recovery is becoming better established have emerged with a Confederation of British Industry survey published today. It shows that steady growth by retailers is stimulating a pick-up in activity among wholesalers and manufacturers.

The CBI's monthly survey of the distributive trades says retailers in April increased year-on-year sales volumes for the fourth month running.

Wholesalers stepped up orders with suppliers last month by the greatest amount for more than five years, suggesting that manufacturers are starting to share the benefits of recent increases in consumer spending.

For the distributive trades as a whole – retailers, wholesalers and car dealers – the year-on-year increase in sales volumes last month was the highest registered for four years. This month is also expected to be a good one by traders.

Mr Sudhir Jumankar, head of CBI forecasts, said the survey covering 490 businesses and 15,000 sales outlets showed a "definite pattern" of stronger retail activity boosting sales in other parts of the supply chain.

Damping any impressions that Britain may be about to see a strong upturn from the recession, the CBI pointed out that sales trends in retailing, which accounts for about a quarter of gross domestic product, had failed to accelerate in recent months. Sales volumes in many parts of the distributive sector were still below levels considered normal.

The monthly survey, taken between April 20 and May 5, shows that last month a balance of 17 per cent of retailers reported a year-on-year rise in sales volumes. The balance is the proportion of shops registering an increase in sales less those reporting a fall.

Even though this continued the trend of year-on-year sales increases first reported in January, the balance was slightly less than the 25 per cent registered in March.

Wholesalers reported sales strongly ahead in April, compared with the corresponding month last year. For the first time in more than seven years, wholesalers' think their stocks are inadequate to meet demand from retail customers.

Among car dealers, sales rose in April compared with the same month last year, although by a smaller amount than earlier this year.

The improvement in sales among retailers has been mainly reported by the largest stores, confirming the impression that consumers are shopping around for bargains at outlets more likely to be offering discounts. Mail order companies have generally experienced strong sales growth while, among wholesalers, those selling office equipment and computers have done well.

Among different branches of the retail industry, most sectors reported steady increases in demand with shops selling books, shoes, chemists' goods and food noting strong year on year increases in sales volumes. Retailers of furniture and carpets reported the third consecutive month of strong year on year growth.

Household goods retailers said April sales were up on a year ago, with the year on year increase the biggest for 12 months. However, sales for the time of the year are still well below normal, indicating that any slight increase in activity in the housing market may still not have fed through to significantly higher demand for goods in shops.

Consumer spending is set to rise sharply over the next few months following a run-down of interest-bearing savings accounts, according to a "weighted" measure of the broad money supply, currently being considered by the Bank of England as an alternative indicator of future inflation.

A "divisia" measure of the money supply weights its components – cash, bank and building society deposits – according to the extent to which they represent money for spending rather than saving. According to Mr Peter Spencer, chief economist at Kleinwort Benson, such an index shows that people have depleted bank and building society deposit accounts accumulated during the late 1980s when interest rates were very high. Some of the money has been channeled into government bonds and equities, but much of it, says Mr Spencer, is going into current accounts and cash.

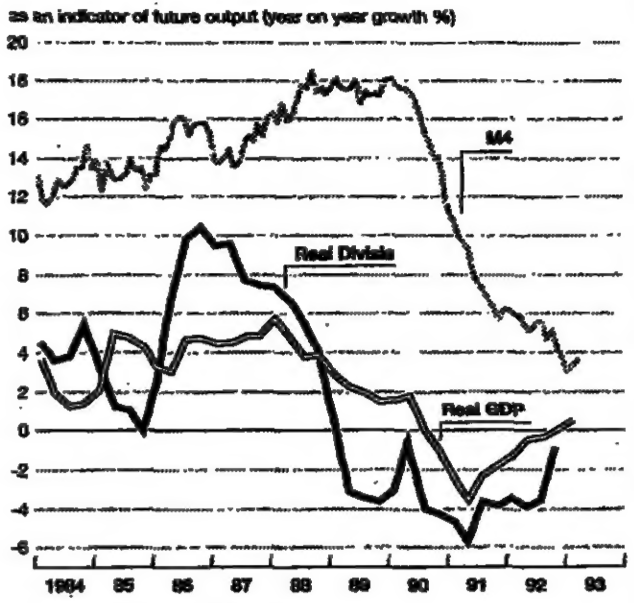
"Such a switch would normally be seen as a prelude to spending," said Mr Spencer.

The sharp growth in the divisia measure of money has worrying implications for inflation. It contrasts sharply to M4, the conventional measure of broad money, which has registered only sluggish growth in recent months.

M4 simply adds cash and the different types of deposits together, treating them as perfect substitutes for one another. It thus fails to capture the movement between different types of accounts and what this might mean for future output and inflation. Conventional measures of the money supply have been criticised for failing to provide a reliable indicator of the relationship between the level of money in the economy and future inflation.

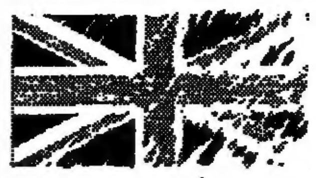
Divisia versus M4

as an indicator of future output (year on year growth %)



Sources: Kleinwort Benson, Datastream

Britain in brief



Norwegian whaling plan condemned

Norway has been condemned by all parties for announcing her intention to resume commercial whaling while seeking membership of the European Community which operates a ban against it.

Urging the Norwegian government to reconsider its position, Mr John Gummer, agriculture minister, stressed that if the membership application succeeded, the rules of the EC would have to be accepted.

Mr Gummer said that far from using the whaling issue as a barrier, Norway should be encouraged to become an EC member so the regulations could be strictly enforced.

Swan Hunter campaign

A "Life for Swans" campaign was launched yesterday by local authorities, trades unions, MPs and members of the European parliament campaigning to save the Swan Hunter shipyard in north-east England which went into receivership last Thursday.

The group fears that the government's proposed Enterprise Zone for Tyneside could be conditional on an end to shipbuilding on the river.

There is growing concern that the European Commission might demand similar conditions on a Tyneside enterprise zone to those imposed in Sunderland in 1989. Under that deal – part of a £45m "rescue package" to cushion the blow of closure of the River Wear's last two shipyards – resumption of shipbuilding was barred for at least five years.

Pay criticised

Mr Peter Wood, the director of Royal Bank of Scotland who is expected to earn at least £10m this year, was yesterday accused by bank employees of taking money that could have preserved some of the 3,500 jobs it is shedding.

Criticism of Mr Wood's pay as chief executive of Royal Bank's Direct Line insurance subsidiary was among attacks on banks and building societies' job policies at the annual conference of the Banking, Insurance and Finance Union.

More councils face shake-up

Eight local authorities in Derbyshire should be abolished by 1995-96, said the Local Government Commission for England. The commission suggested they be replaced by just two councils – one for the city of Derby and the other for the rest of Derbyshire – with administrative savings estimated at £16m a year, or 9 per cent of the average local council tax bill.

Game-related epilepsy study

The first national study of the link between computer games and epileptic seizures is to be carried out with funding from the Department of Trade and Industry. The aim is to discover how many children with no previous history of epilepsy are having seizures triggered by computer games.

Group chosen for rail link

Centram, a company formed by Taylor Woodrow, the construction group, and Ansaldo Trasporti of Naples, Italy, was yesterday chosen by the West Midlands Passenger Transport Authority to build and operate the first line of a regional light rail rapid transit system. Centram will pay £10m towards building costs and in exchange will receive a franchise to operate the line without subsidy for 20 years.

Strikes averted

The threat of further industrial action on the railways receded last night as members of RMT, the main rail union, rejected the advice of their union leaders and voted narrowly in a ballot to support British Rail's peace formula.

In a Nutshell

Calling for fewer rules

Very small businesses, employing one or two people, should not be made subject to every regulation, Lord Sainsbury, the government's deregulation adviser, told last week's annual conference of the Association of British Chambers of Commerce.

The law already provides general protection against malpractice to neighbours or customers, he said.

As a general principle detailed legislation should be replaced by a greater use of guidelines, education and codes of good practice, Lord Sainsbury said.

Regulations should be concerned with general requirements and less with specifics. He contrasted the Food Safety Act, which imposes a basic requirement to sell safe food, with the proposed Quick Frozen Foods regulation, which lays down exact temperatures and the frequency of checks.

Removing the risk from high-tech

Companies which want to adopt innovative but risky new processes and high-technology companies which have developed new techniques but are encountering resistance from prospective clients may benefit from a new European Commission programme.

Under the Technology Performance Financing scheme (part of the Sprint programme) the commission underwrites up to 50 per cent of the risk attached to bank funding for a project (up to a maximum of Ecu 75,000, or £58,000 per project). Companies borrowing funds make performance-related repayments.

They must apply to one of the participating banks, which will provide about 80 per cent of the funds needed, typically Ecu40,000 to Ecu200,000. Banks in the scheme include National Westminster, Allied Irish, Banco Bilbao Vizcaya, Generale de Banque and Finlombarda.

Charles Batchelor looks at entrepreneurs who have survived and learned from early setbacks

Back from the brink

It took a Christmas Eve telephone call from Jayne Murray's bank manager for her to realise that her business was in trouble. The call came eight months after Murray had bought the Tulip Tree coffee shop in Gosforth, Newcastle-upon-Tyne. The manager warned that Tulip Tree had exceeded its agreed overdraft limit by £3,000.

"Up to then I had been going through the motions," recalls Murray. "I didn't understand what it was all about. When the bank manager phoned everything just fell apart."

Murray had taken an enterprise training course on leaving university, but acknowledges she did not maintain financial controls in the early months. She also now feels that she paid too much for the company in the first place.

Faced with the prospect of the business going under, Murray called a staff meeting to explain the situation and to seek her employees' support and held emergency discussions with her parents, who were directors in the business, to analyse the problems.

Two and a half years later, wage cuts, closer attention to costs and prices and tight controls on the business's finances have turned a £70,000 loss into a small monthly profit. The Tulip Tree employs seven people, has monthly sales of £8,000 to £9,000 (excluding VAT) and Murray, now 25, is working on plans to expand the catering side.

Murray's experiences are not untypical of many small business owners. Inexperience or an external shock such as a recession or the loss of a large customer poses an early challenge to the business's survival. With determination and luck the business survives; without them it goes under.

The award goes to the business owner who has learned most from his or her experience

Recognition of this common scenario prompted Durham University Business School (Dubs)*, which works intensively with small firms in the northeast, to launch its Great Escape Business Development Award. The award goes to the business owner who has learned most from his or her experience of near-disaster.

Murray was one of six business owners to be short-listed for this year's award.

Entrepreneurs are judged on four criteria: the scale of the threat relative to the size of their business; the effectiveness of their response; the level of insight demonstrated; and the extent to which they subsequently apply what they have learned to running their business.

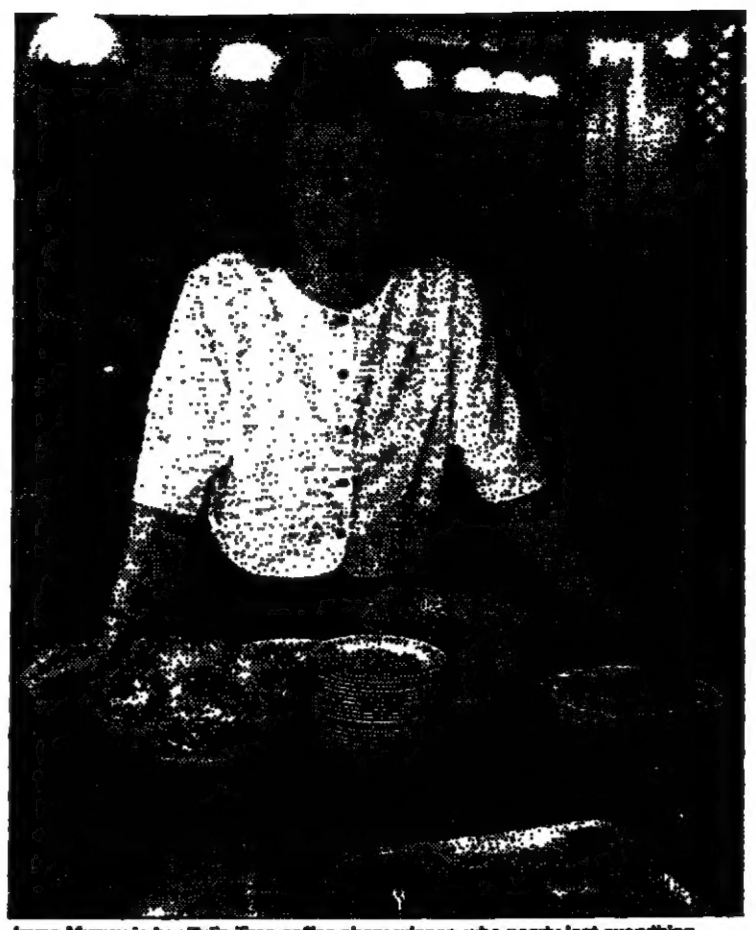
Only one of the participants went out of business. Martin Jones was forced to close his record production company after running out of funds, but has since relaunched himself as MBR Productions, providing business training to the music industry.

All of the others survived though some came very close to failing. The Questions Answered Consultancy, a York-based research and marketing agency, was burgled nine months after it was set up and its computer equipment with its business records were stolen. Back-up records had not been properly kept and contracts were lost. Peter Harrington, QAC's founder, considered looking for a job but after the initial despair he rallied and got the business going again. The computer equipment was replaced and back-up discs are now kept up to date.

More importantly, says 27-year-old Harrington, the shock of near-disaster focused his thinking and made him realise careful planning would be needed if the business was to go anywhere. A decision was taken to concentrate on the regional market and a successful guidebook for teachers bringing school parties to York was produced. Harrington has taken on two more staff and he expects a near-threefold increase in turnover this year to £100,000. A move to larger premises is planned.

QAC's recovery depended on Harrington re-assembling his business records and buying new computers, but Harsh (Ultimate Hydraulics), a supplier of hydraulic tipping systems, faced an even more serious threat. Established in 1987 to market a device to improve the safety of conventional lorry tipping systems, Harsh had just invested for expansion when its markets collapsed.

Grant Faulkner, the founder and managing director of the Full Sutton, Yorkshire-based company, responded by cutting costs and putting suppliers under pressure for discounts. He also signed up a leading distributor, believing this would open new markets and guarantee the company's future.



Jayne Murray in her Tulip Tree coffee shop: winner, who nearly lost everything

It was only after the deal was signed that Faulkner, now 28, realised this was only the start of the process. "You don't sell to distributors but through them," he says. "A sale is not made until the product moves on to the end user."

Yet more effort and cash had to be invested in training programmes for the distributor's staff, in brochures, packaging and new product development. These actions paid off. Harsh managed to maintain sales in a much-reduced market and it expects to be profitable this year on sales of £950,000. It employs 10 people.

Dealing with distributors is a common problem for the young business, to judge by the experiences of the Great Escape participants. John Owens, now 29, founder of Newcastle-based Robot Simulations, recalls how two of his main distributors failed to make any sales for a five-month period and his company's income dried up.

"In the end I went out on the road and sales turned right round in two months," he says. "We solved the problem just in time because we were about to hit our overdraft limit. The dealers were a wall between us and our customers."

Owens called in a business counsellor, Roger Verrall, to help him with these problems and realised he was far happier concentrating on the technical side of the business, creating software programs which allow the users of industrial robots to simulate their operation.

He stepped down as managing director and sold 51 per cent of the company, which employs six people and has sales of £90,000, to Verrall.

Owens was not the only entrepreneur to relinquish majority control of his business among the Great Escape participants. Peter Wild, founder of Wild Vision, a Boldon Colliery-based manufacturer of circuit boards for Acorn computers, also brought in an outside shareholder when problems arose.

Wild Vision grew steadily over its first five years, but was hit by the recession in the early 1990s. Schools, important buyers of Acorn computers, cut spending when they became responsible for their own budgets and rumours that Acorn was planning to launch a new computer further reduced sales. The company faced the prospect of exceeding its borrowing limits.

Wild, now 31, realised that sales would always be limited by the fact that he had no capacity for software development, without which the boards could not be used. There was no time to develop this expertise in-house, but at the suggestion of Acorn he teamed up with Computer Concepts, which had software skills but no hardware expertise.

Computer Concepts took a 74 per cent stake in Wild Vision leaving Wild with the rest. "For the first three months I waited for them to come and tell me what to do but they didn't," says Wild. "They have an arm's-length management style."

The link-up with Computer Concepts put Wild Vision's finances on a sounder footing and it expects sales of £400,000 this year. It recently took on two design engineers, taking its workforce to 15.

The judging team decided Murray had learned the most from her experience of saving the Tulip Tree and awarded her the £1,000 prize. She and the other five shortlisted candidates are also eligible for a session to assess their personal and business goals provided by CPCR, a Gosforth-based consultancy and sponsor of the Great Escape.

Judging a conventional small business competition is difficult enough because of the diverse nature of the businesses which take part, says Dubs' David Mullen. Judging an award which attempts to measure the management of potential disaster rather than the achievement of success is even trickier.

Mill Hill Lane, Durham, DH1 3LB. Tel. 091 374 2211.

Figuring out failure

When countries go into recession, few economic statistics are followed with greater interest than the data for business failures. When they recover, a decline in insolvencies is usually seen as proof that the worst is over.

But how much do we know about business failure? How comprehensive or accurate are the figures? Despite considerable academic research, we have only a limited understanding.

This was one of the key conclusions of a Review of Research on the Factors Influencing the Death of Small Firms*, presented at a seminar last Friday by David Storey, director of research at the Warwick University Small Business Centre.

While "failure" is often taken to mean disaster and financial loss, many businesses appear in the statistics when they have simply been sold or the owner has retired.

None of the statistics commonly used – VAT deregistrations, business insolvencies, personal bankruptcies – tells the whole story and, worse still, they frequently show conflicting trends.

Researchers generally agree that small, young companies are particularly vulnerable and that companies which do not grow are less likely to survive.

But even such apparently obvious measures as profit do not automatically link to success or failure. Nor is the sector in which a business operates a significant factor in whether or not it survives (despite the fondness of bankers for red-lining specific sectors).

It has also proved difficult to relate personal characteristics to success or failure, while the impact of external economic shocks, such as changes in interest rates, is not clear-cut.

It may be of some consolation to business owners battling with the uncertainties of the 1990s that conditions in the 19th century, often depicted as the golden age of the established family firm, were very much the same. Relatively few companies grew to a ripe old age, even then.

**Researched as part of a small firms study financed by the Economic and Social Research Council to be published later.*

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BUSINESSES FOR SALE

PEOPLE

UB chief for Thames

Sir Robert Clarke, chairman of United Biscuits, will take over as part-time chairman of Thames Water, Britain's largest quoted water company, from March of next year. The appointment follows the sudden death of Sir Roy Watts at the end of April.

David Luffrum, group finance director, says the board was "of the unanimous view that if we could find a strong candidate from among the existing directors, that would be the ideal solution." Sir Robert has been a non-executive director since 1988 and the run-up to floatation. Although he will be 65 when he takes up the chairmanship, Luffrum says he is in "remarkably good health. There is every expectation he will be chairman for a good few years".

However, Clarke is unable to start until he reduces his role to that of non-executive chairman at United Biscuits, a company of similar size to Thames, next year. In the meantime Sir Christopher Leaver, currently deputy chairman, takes on the role. Leaver is a former Lord Mayor of London (1981-1982) and was chairman of the London Tourist Board between 1983 and 1989.

Whereas Sir Roy spent "four to four and a half days a week" at Thames, according to Luffrum, Clarke is expected to devote "not more than two days" to the assignment. Luffrum explains that chief executive Mike Hoffman had been very much in control not just of day-to-day management issues but also increasingly involved in matters of strategy.

Hoffman takes on the additional title of deputy chairman until next March; thereafter there are likely to be two deputy chairmen when Clarke takes over from Leaver.

The succession question was already well advanced before Sir Roy's death; Watts had been planning to announce his retirement at the AGM in July.

■ **Peter Stemp**, formerly personnel and services director at Allied Dunbar Assurance, has been appointed group personnel director of The AUTOMOBILE ASSOCIATION.

■ **Julian Dell**, group md, is to take over the responsibility of chief executive of STRONG & FISHER HOLDINGS from Michel Buswell, who continues as executive chairman.

■ **Andrew Johnson**, formerly chief executive of Charringtons Fuels, has been appointed chief executive of SYCAMORE HOLDINGS; Peter Hopkins has stepped down as chief executive, but remains on the board.

■ **Wendy Thomson**, formerly assistant chief executive of the London Borough of Islington, has been appointed chief executive of TURNING POINT.

■ **Nigel Garrow**, formerly md of McCormick's UK operation, has been appointed chief executive – ingredients group of DALGETY. This new position will encompass Lucas Ingredients, Spillers Milling, ABC Paniermehl and France Ingredients.

■ **Allan Crapper** has been appointed human resources director at MELFIN (UK), part of the Melfin/Elcat Group.

■ **Edward McLean**, former chief financial and operating officer of United International Pictures, has been appointed chief executive of the PERFORMING RIGHT SOCIETY. Nicholas Lowe has been promoted to become its director of legal affairs.

■ **Ronnie Mitchell**, formerly deputy md production, LMG Smith Brothers, is appointed production director, flexible packaging sector, LAWSON MARDON GROUP UK and Ireland. Eddie Blair is promoted to production director of LMG Smith Brothers.

■ **John Hoskins** finance director of Laporte, has been appointed a director of LAPORTE AMALGAMATION on the retirement of Richard Dickinson.

Leisure's allure

The government been taking its time finding a replacement for William Davis, whose term as chairman of the British Tourist Authority and of the English Tourist Board ended in March. Although Davis's departure was announced in January, no successor has yet emerged.

Davis, by contrast, has been quick to find something to fill those moments when he is not running his company Premier Magazines, which publishes titles for British Airways, Rolls Royce and Savoy Hotels.

Yesterday, Allied Leisure announced that Davis would become its non-executive chairman - freeing Richard Carr to concentrate on being chief executive. Davis is also a non-executive director of Thomas Cook.

While arguably part of the same sector, the Allied Leisure post represents something of a change from the task of persuading foreigners to take their holidays in Britain and the UK tourist industry to improve its offerings. The company's specialities are nightclubs and ten-pin bowling.

In 1991-2, the sharp downturn in UK consumer spending forced Allied Leisure's pre-tax profits down 29 per cent to £2.21m. Its shares, which comfortably outperformed the market in 1990 and 1991, have since languished.

Davis had been looking forward to life in the private sector. A former editor of Punch, he was not altogether happy at the BTA, saying he realised he was not cut out for the slow-moving world of the public sector - a view shared by colleagues and by government.

Briton's pivotal Brussels job

Responsibility for making the five-month-old single European market work has fallen to a 49-year-old Briton, John Mogg.

He has just taken over as head of the European Commission's directorate-general for the internal market and financial services, working under the new Italian commissioner Raniero Vanni d'Archirafi.

Mogg replaces Geoffrey Fitchew, another Briton, who had been the man behind the investment services and capital adequacy directives. While Mogg is expected to continue implementing these measures, the responsibilities of the so-called DG15, which used solely to look after financial services, have been extended.

The arrival of a new set of Commissioners, together with a reshuffle of the permanent departments, means that the barrier-free single market, which came into effect on January 1, also comes under Mogg's wing. However, he is no stranger to that sector, having spent the last three years as deputy director-general of the old internal market and industry department.

Mogg had been tipped to take over the DG15 post since the beginning of the year, but the political complexities of senior Commission appointments meant he could only be confirmed in the position two weeks ago. The UK government, which places great importance on the implementation of the single market and the liberalisation of the financial services sector, had lobbied hard to put a British national in the job.

Mogg is a relative newcomer to the Commission. Until 1990, he had been a senior national civil servant in the Department of Trade and Industry and the Cabinet Office, although he served as First Secretary at the UK's permanent representation to the EC in Brussels between 1979 and 1982.

Fitchew, meanwhile, has returned to London to head the European secretariat of the Cabinet Office. Mogg was deputy head of the same unit before joining the Commission.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re
OLYMPIA & YORK WATER STREET FINANCE CORP., and O&Y WATER STREET CREDIT CORP., Debtors.

Chapter 11 Case No. 93 B 42409 (JLG) (Jointly Administered)

NOTICE OF HEARING TO CONSIDER
(i) APPROVAL OF DEBTORS' DISCLOSURE STATEMENT AND PROPOSED SOLICITATION PROCEDURES,
(ii) SETTING THE DATE FOR VOTING ON THE JOINT PLAN OF REORGANIZATION FOR THE DEBTORS AND
(iii) FIXING THE DATE, TIME AND PLACE TO CONSIDER CONFIRMATION OF SUCH PLAN

[illegible]

THE HEARING

[illegible]

(1) WEIL, GOTSHAL & MANGES
Attorneys for the Debtors in Possession
767 Fifth Avenue
New York, New York 10153

(2) VARET MARCUS & FINK, P.C.
Attorneys for the Indenture Trustee
53 Wall Street
New York, New York 10005

(3) ANDERSON KILL OLICK & OSHINSKY, P.C.
Attorneys for the Servicing Committee
666 Third Avenue
New York, New York 10017

(4) OFFICE OF THE UNITED STATES TRUSTEE
80 Broad Street, 3rd Floor
New York, New York 10004

UNLESS AN OBJECTION IS TIMELY SERVED AND FILED IN ACCORDANCE WITH THIS NOTICE, SUCH OBJECTION WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

Dated: New York, New York
BY ORDER OF THE COURT

/s/ James L. Garrity, Jr.
United States Bankruptcy Judge

WEIL, GOTSHAL & MANGES
Attorneys for the Debtors and Debtors in Possession
767 Fifth Avenue
New York, New York 10153
(212) 310-8000

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re
OLYMPIA & YORK WATER STREET FINANCE CORP., and O&Y WATER STREET CREDIT CORP., Debtors.

Chapter 11 Case No. 93 B 42409 (JLG) (Jointly Administered)

NOTICE OF ENTRY OF BAR DATE ORDER FIXING LAST DAY TO FILE PROOFS OF CLAIM AGAINST DEBTORS

[illegible]

BY ORDER OF THE COURT

THE HONORABLE JAMES L. GARRITY, JR.
UNITED STATES BANKRUPTCY JUDGE

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FINANCIAL TIMES

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CONTRACTS & TENDERS

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Gloucestershire GL13 9PA
United Kingdom

For the attention of Mr J Hall.
Telephone 0453 810431 Fax 0453 810047

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CONTRACTS & TENDERS

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2. Provision of archive filing, storage and retrieval to requirements at an existing Agency archive. This requirement has not been advertised elsewhere.

Companies wishing to express interest in either or both of these contracts should note the following information which is common to both:

A contract may be awarded to more than one company. The award procedure is by restricted invitation to tender. Performance will be measured against prescribed targets.

Indications of interest to bid should be in writing, accompanied by company background information supporting the propriety of the bid, a statement of the company's overall turnover and turnover in respect of the specific item(s) in which interest is expressed, for the last three financial years and a statement of the company's technical facilities and quality standards.

The award criteria (other than price) will be best overall value for money, quality of service, capability, control and management systems and in the case of contract 1 above, storage capacity and conditions. A visit to company's facilities may be necessary.

Tenders must be fixed and quoted in sterling. Any variations in the exchange rate over the contract period will be based on the standard conditions of government contracts.

All department owned goods stored or handled by the successful bidder(s) will be insured for all contingencies by the successful bidder.

The deadline for receipt of expressions of interest will be 30 May 1993

Expressions of interest should be sent to:
Ken Taylor,
Benefits Agency Purchase and Supply
Room 27 Warwick House, Wade Lane, Leeds LS2 8NL
Tel: 0532 341911 Ext. 86300 Fax: 0532 444218

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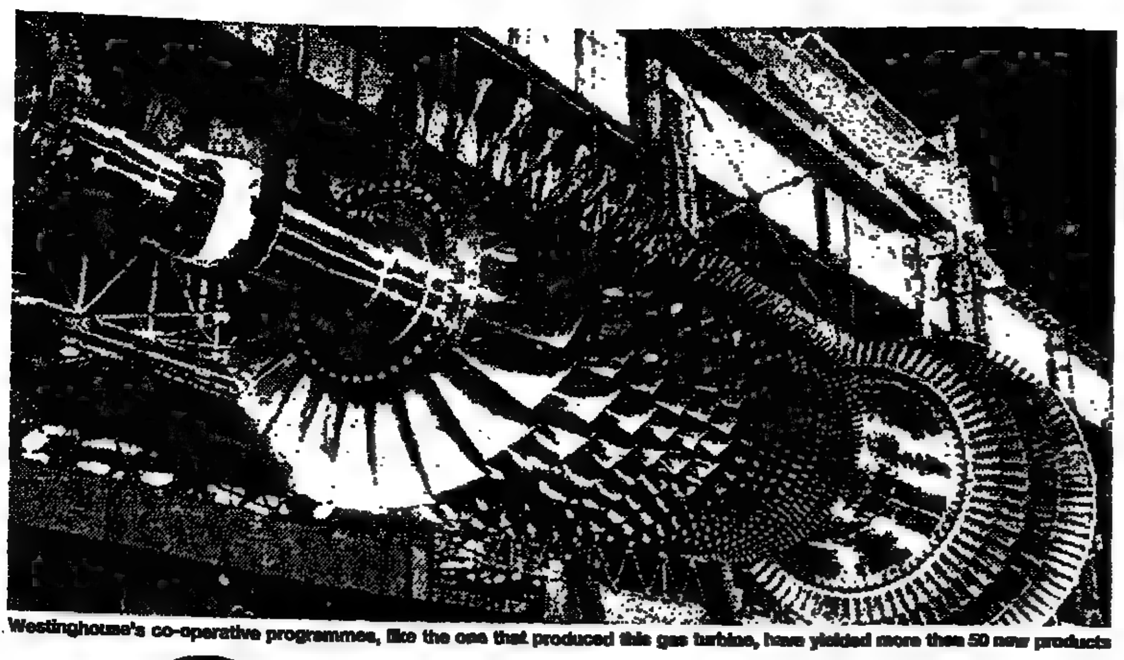
TECHNOLOGY

Over the past year, not everyone on the crowded flights from the UK to Orlando, Florida has been heading for Disneyworld, Cape Kennedy or the sunshine state's other big attractions.

For executives from Rolls-Royce, the UK aero-engine and industrial power group, the journey ends in a somewhat confusing ride down Ingenuity Drive and Strategy Boulevard.

In an empty scrubland that will one day be a high-powered industrial area – hence the names – their destination is the headquarters of Westinghouse Electric's power generation business.



Westinghouse's co-operative programmes, like the one that produced this gas turbine, have yielded more than 50 new products

Generating a new alliance

Westinghouse and Rolls-Royce are both benefiting from a wide-ranging partnership, writes Andrew Baxter

Westinghouse officials have been travelling in the other direction, to London and Newcastle, as the two companies develop a relationship that began in the earliest days of the modern power equipment industry but took on new meaning last June. That was when Westinghouse and Rolls-Royce announced a 15-year agreement aimed at strengthening both companies in the highly competitive worldwide power generation equipment business. The deal was one of the most important recent tie-ups in the power equipment industry and covers technology transfer, joint development of combustion turbine technology and marketing of combustion turbines and combined-cycle power plants.

It is early days yet, but the new co-operation looks to have made a good start, even if the tangible results so far are just one contract. Last autumn, the Tennessee Valley Authority gave the partnership an order for two replacement generators to be built by Westinghouse and four steam turbine rotors to be built by Rolls-Royce, with Westinghouse installing and servicing the equipment.

This may sound prosaic, but it was the kind of order that the UK company would have found hard to share in had it been bidding without a US partner. A large retrofit such as this also opens the way to other business in the replacement market in the US, says Richard Maudslay, managing director of Rolls-Royce's industrial power group.

But the agreement is nothing if not wide-ranging and, behind the scenes, cross-border activity has been intensified since June, with a clutch of inter-company groups set up to push the co-operation forward. Common purchasing of components has already begun and in both companies there has been a big management effort to spread involvement in the tie-up into middle-management and the manufacturing workforce.

As executives in several disciplines work out how to make the tie-up effective, its rationale is becoming increasingly clear. As with all good industrial link-ups, both companies need each other – for technology and market presence.

"No one company is going to be able to do everything to stay competitive in this business. Because we had totally different portfolios, we realised we could work together," says Frank Bakos, vice-president and general manager of the Westinghouse power generation business unit.

"There are some very positive benefits from the agreement," says Maudslay. "With our different products we can balance out each other's weaknesses."

Technology transfer via licensing or other agreements has long been an integral part of the power equipment industry; Westinghouse's early steam turbines, for example, were based on designs by Sir Charles Parsons, the 19th century inventor of steam turbines.

Westinghouse has had a series of agreements with Mitsubishi companies in Japan stretching back to a 1923 generators deal with Mitsubishi Electric. In combustion turbines, it has co-operated with Mitsubishi Heavy Industries since 1961, and has a similar co-operation with FiatAvio of Italy which dates from 1954.

In their early days, the deals with the Japanese were "somewhat tutorial", according to Bakos, but have lately taken on a more balanced look as the Japanese expertise in the design and production of turbines developed.

The trilateral alliance between the US, Japan and Italian companies has now become a fully-fledged network. MHI is producing the largest turbines within the group, the 701F model which can produce up to 220MW for 50 Hz markets such as Japan. But Westinghouse recognised in the late 1980s that its single biggest liability was lack of access to the aero-engine technology that its big rival General Electric has used with some success in developing its land-based gas turbines.

No one company is going to be able *to do everything to* stay competitive in this business

The Orlando company searched for the aero-technology it needed, although, says Bakos, it was a period when it was being wooed as well as wooing. Apart from GE, the only other leading aero-engine producers are Pratt & Whitney, which is working with Siemens on a new heavy-duty gas turbine for the end of next year, and Rolls-Royce.

The key to the successful transfer of aero-engine technology to large-scale electric power generation is to incorporate those elements which can help improve efficiency and output without jeopardising reliability or adding excessively to costs.

So one of the most important tasks for the teams from Orlando and Newcastle is to work out what can be used in the next generation of Westinghouse gas turbines, which could be launched in the second half of the 1990s.

John Kessinger, a Westinghouse power generation executive with responsibility for strategic alliance products, points out that new materials or designs that make aero-engines lighter may not be relevant. Alternatively, some aero-derivative technology will be relevant but would only be cost-effective if produced in very large numbers.

However, some of the work done on designs of aero-turbines and compressors will be very valuable, he says. Designs for turbine blades, vanes and transmission pieces, some of the aero-derived cooling technologies, new materials and design techniques such as computational fluid dynamics could all be useful. "We're still in the middle of trying to figure out what makes sense for us," says Kessinger.

For Rolls-Royce, a clear advantage of this development is that it gains access not only to Westinghouse's existing heavy duty gas turbines, but to a new generation enhanced by its aero-derived technology. Coupled with Westinghouse's technology in combined cycle power (the increasingly popular gas turbine/steam generator/steam turbine combination), this strengthens the UK company in markets where it has a stronger presence than its US partner.

But the deal is also important for both companies at the smaller end of the combustion turbine market. Rolls-Royce already has the industrial version of its RB211 engine, which generates about 28MW of power, but is committed to developing a 50MW industrial version of its forthcoming Trent engine. This version should be ready at the beginning of 1996, says Maudslay.

Maudslay wants both these engines to be strongly marketed in North America, and it is better to do that with a US link, he says. At Westinghouse, Reg McIntyre, general manager for combustion turbines, says: "We keep pressing them on the Trent engine." With Westinghouse's help, it could become the centrepiece of a highly-efficient 70-75MW combined cycle plant.

The two companies are also working on developing steam turbine technology, a more mature and more crowded market than that for gas turbines. "It did not make sense for each to develop its own products independently," says Maudslay.

As a result of the tie-up, the Westinghouse power generation business is emerging as the focal point for a technology interchange involving, on the one hand, Rolls-Royce and, on the other, the US company's alliances in Japan, Italy and 10 other countries.

For Bakos, that is tantamount to having access to 9,000 engineers worldwide working on steam or combustion turbines. Getting this "great global engineering department" to work is worth the effort, he says. It has a combined annual research and development budget in excess of 30 per cent of the company's power generation sales – and no one in engineering could afford that amount of spending alone.

A hearing aid for ultrasound

Louise Kehoe on a technique to improve image quality

The first photographs in the albums compiled by proud new parents are often taken before the birth. They are images of the foetus in the womb, obtained using non-invasive ultrasonic diagnostic equipment.

Yet it usually takes the expert eye of an obstetrician to pick out the tiny human form from these murky grey images. Medical ultrasonic images, which are also used to diagnose abdominal, urological, vascular and heart problems, can be made significantly clearer by a new technique developed by Acuson, the leading US manufacturer of medical ultrasonic equipment.

The use of ultrasonic systems in medicine has grown rapidly over the past five years with 50.3m ultrasonic examinations performed in the US last year, up from 29.6m in 1988.

Since medical ultrasonic imaging was introduced in the mid-1970s, there have been several incremental improvements in the performance of the systems. Acuson claims, however, to have achieved a "breakthrough" with the introduction of its "acoustic response technology".

ART "will open up new vistas of what we are able to investigate with ultrasound", predicts Barry Mahony, director of ultrasound diagnostics at the Swedish Hospital in Seattle, Washington.

"I have been able to see structures that were not visible, especially in obese patients," says Mahony, who has tested the Acuson technology alongside existing state-of-the-art equipment. Using ART, the doctor was able to see the four quadrants of the heart and the internal structure of the brain of a foetus in the womb, detail of the layers of the bowel and even the layers of skin on a foetus.

ART is a computer-controlled method of refining the images obtained from a medical ultrasonic diagnosis system. It involves shaping the frequency spectrum of the ultrasonic signal to minimise distortions as it passes through the human body.

The principle of ultrasonic imaging is simple. High frequency sound waves are transmitted by a transducer placed on the patient's skin. Some of the sound waves bounce off the soft tissues of the body as "echoes". The echo is picked up by a detector and transformed into electrical signals that are used to form an image of the internal structure of the body on a computer screen.

However, ultrasonic signals are also attenuated as they pass through body tissues. Lower frequency signals penetrate further than high frequencies, just as drum beats can be heard from a further distance than the sound of a bell ringing.

Thus ultrasonic imaging systems have to compensate for the distortion of the signal as it passes through the body. This decreases the resolution of images making it more difficult for a doctor to see structures deep inside the body.

"We have known for years what the body does to ultrasonic echoes and it was an effect we thought we'd always have to live with," says Samuel Maslak, Acuson president and chief executive. By applying computer control to all parts of the imaging system, including the transducer, the signal and the detector, ART improves image quality.

"These are not just aesthetic effects we are bringing to the diagnostic image. There is a significant increase in information content that will be extremely helpful in making difficult diagnoses," says John Freund, Acuson executive vice-president.

Sales of diagnostic imaging equipment in the US totalled about \$4.2bn (£2.7bn) in the US in 1991, the latest figures available. This was, however, less that 0.6 per cent of total healthcare spending of \$738.2bn.

In an era of rising health care costs, improved diagnostic techniques will help to save money, Acuson maintains. "At least five times as much is spent on treatment as on diagnosis in the US today," says Maslak. "Yet every dollar spent on early, correct diagnosis saves dollars downstream."

BUSINESS AND THE LAW

Spanish film rules unlawful

EUROPEAN COURT

Spanish restrictions which prevent foreign language films from being subtitled in the official Spanish languages unless the film distributor agrees to distribute a Spanish language film in return have been struck down by the European Court of Justice.

The court ruled the restrictions were contrary to Rome Treaty provisions on the freedom to provide services. These prohibit the discriminatory treatment of a service provider by reason of nationality or because the provider is in a different member state from that in which the service is performed.

The court said the Spanish rules clearly gave Spanish film producers an advantage over other EC producers. The effect was to protect Spanish film production.

The Court rejected the Spanish argument that the measures pursued a cultural objective and therefore should be allowed. The rules advantaged the distribution of domestic films, regardless of their content or quality. They pursued a commercial objective and there was no reason why Spain should be allowed to derogate from the basic Treaty provisions.

C-17/92: Federacion de Distribuidores Cinematograficos v Estado Espanol and Union de Productores de Cine y Television, ECJ 5CH, 4 May 1993.

Commission's immunity from debt orders

The European Court has rejected an action by a third party creditor against the European Commission for failure to give effect to a debt order. The Court said goods of the Community institutions could not be the object of an administrative or judicial measure without its prior authorisation. It also rejected a claim for non-contractual damages.

The case concerned money paid from the European Development Fund by the Commission to the government of Burkina Faso for development projects. Some of the project was sub-contracted to the applicant, who carried out the work but only received 10 per cent of the money due.

The sub-contractor wrote to the Commission asking for its position to be taken into account when the Commission authorised payments to Burkina Faso for the projects. Six months later the sub-contractor sent the Commission a debt order to protect its rights to the money owed.

The Commission refused to be bound by the order on the grounds its immunity from such an order could only be lifted by the European Court. The sub-contractor sought to annul that decision.

The Court said the Community institutions had an immunity which could only be lifted by the agreement of an institution or by express authority of the court. The sub-contractor had not applied to the court for such an authorisation so the Commission's immunity remained. The application for non-contractual damages was rejected on the ground the Commission had not acted unlawfully.

C-182/91: Forafrique Burkinabe SA v Commission, ECJ 5CH, 29 April 1993.

Application for interim measures fails

The President of the Court of First Instance rejected an application by Compagnie Maritime Belge, the Belgian shipping company, for interim measures in the form of a suspension of part of the European Commission's decision of 23 December 1992 about the activities of shipping conferences involved in providing transport services between Europe and West Africa.

The Commission decision found the conferences and their members had infringed EC competition rules. Fines were imposed and the conferences were ordered to stop the infringements. The applicant challenged the order to stop infringements in so far as they related to participation in the implementation of a co-operation agreement with Zaire.

The President found CMB had not demonstrated that it could not wait until the outcome of the main hearing without suffering serious and irreparable harm.

T-24/93R: Compagnie Maritime Belge Transport NV v Commission CFI, 13 May 1993.

BRICK COURT CHAMBERS, BRUSSELS.

Going global

Robert Rice on the coming players in the market for international services

When international accountancy firm Arthur Andersen let it be known recently that it was behind Garrett & Co, a new London law firm to be headed by the former senior legal adviser to Investors in Industry (3i), Britain's largest venture capital company, lawyers in the City of London blanched.

The link between Andersen and Garrett & Co could pave the way towards the creation of the first multi-disciplinary partnership between accountants and lawyers. Although Garrett will be independent of Andersen in the short term, it will be based in the accountants' London offices and will expect much of its work to come through referrals from Andersen's network.

For the top City law firms, concern about the Big Six accountants moving into legal services stems from the fear of competition not in domestic markets but in those for international legal services. As much as 40 per cent of their work now has an international element and any move into the international legal markets by an organisation with an established presence in every corner of the globe poses a considerable threat.

Some accountancy firms have already flagged their intentions. KPMG, for example, has strong links with the French law firm Fidal, arguably the largest in continental Europe. But Andersen is forcing the pace. It has established a number of associations with law firms in other European countries including SG Archibald of France and Friehalter, Kruger & Co of Germany.

It has some way to go before it is in a position to challenge the big English and American law firms in the provision of high-value global legal services but it can build on a network of 318 offices employing 62,000 professional staff in 72 countries around the world.

No law firm can match that spread – except perhaps Baker & McKenzie, which operates on a scaled-down level more appropriate to the size of the global marketplace for legal services. B&M has 53 offices in 32 countries. Its 1,640 lawyers represent 45 nationalities and speak 60 languages. No other law firm comes close to that.

B&M is used to being derided by its competitors for its unusual structure. It knits local lawyers in different countries into its international network, whereas the traditional method for providing legal services for multinational clients involves a few overseas branch offices controlled from the centre and staffed by lawyers on assignment from headquarters for two or three years at a time.

As competition for international legal services hots up, the number of detractors is dwindling. Some firms now appear to accept that the Baker & McKenzie approach may have been the right one after all.

America's top law firms 1991

John McGuigan
Chairman Baker & McKenzie

Rank by gross revenue ($m)	Gross revenue ($m)	Revenue per lawyer ($'000)	Profits per partner ($'000)
Skadden, Arps, Slate, Meagher & Flom	480.0	490	850
Baker & McKenzie	477.0	300	380
Jones, Day, Reavis & Pogue	406.0	360	320
Gibson, Dunn & Crutcher	277.0	450	480
Shearman & Sterling	273.5	500	690
Sullivan & Cromwell	255.0	730	1,050
Davis Polk & Wardwell	252.0	620	1,000
Weil, Gotshal & Manges	252.0	460	700
Latham & Watkins	238.5	420	520
Cleary, Gottlieb, Steen & Hamilton	235.0	550	770

Source: American Lawyer Magazine

Many of those who expanded rapidly overseas in the late 1980s now realise that the cost of establishing, staffing and running more than a handful of overseas branch offices to serve multinational clients may be prohibitive.

Some even appear to have changed tack. New York's Skadden Arps Slate Meagher & Flom, which quickly established seven offices in Europe in the late 1980s, has recently entered into affiliations with local law firms in Frankfurt and Vienna.

This is a development not lost on John McGuigan, the recently appointed chairman of B&M's executive committee. The 43-year-old Australian accountant turned lawyer believes that when the regulatory barriers to cross-jurisdictional legal practice come down only a very few firms will be in a position to operate on a truly international basis.

One of the main limitations they will face is money, he says. B&M has 53 offices around the world because that is the way the firm evolved. When Russell Baker and John McKenzie set up the firm in Chicago in 1949 they hit on the simple idea that as US multinationals sought to expand their market and bases of production they were going to need sophisticated legal advice. It seemed sensible for companies to have access to someone in those markets who could provide that advice but who also had an understanding of the US legal system.

"But," says McGuigan, "I wouldn't like to be seeking to establish 53 offices now. The fact is we have them in the balance sheet, they're capitalised and they're all profitable."

The other main impediment will be cultural, he says. If firms are going to operate on a truly international basis and offer as broad a range of services as B&M does, they need a flexible management style and a certain degree of local independence and respect for local solutions. The traditional head office/branch office structure is too rigid.

Critics of the B&M approach point out, however, that the evolution of the firm with its reliance on national lawyers in the various locations inevitably means that the quality of its work is inconsistent.

Standards in Bangkok or Bogota may not be up to those of London or New York. As competition in the international market place intensifies, critics argue, and as clients bring an increasingly sophisticated approach to buying legal services, companies which in the past have used B&M around the world will become more selective about where they use its lawyers in future.

Equally, a poor piece of work for a multinational client done in Manila could damage relationships in more important markets such as Europe or north America.

Eventually, these factors could begin to hurt the bottom line. Critics note that while B&M has the second highest gross revenues of America's international law firms that is largely because it has so many lawyers. Judged by profits per partner the firm is ranked 40th.

John McGuigan believes the quality problems are over-emphasised, but he is far from complacent. "We're only as strong as our weakest link," he concedes. Improving quality is a priority. The firm has doubled its training budget over the last three years and its budget for professional development has increased from $350,000 to $1.2m.

But many of the criticisms miss the point of B&M's ethos, McGuigan says. Imposing the way business is done in a location is wrong because it fails to recognise that there are different degrees of sophistication in the various legal systems of the world, that local lawyers' qualifications may not be up to the standards of America and Europe and that different issues are relevant in ensuring clients get the right service.

"Some US banking lawyers believe that what they need to do in Jakarta is produce the same pile of closing documents as they would in New York. They're wrong," he says.

Given that B&M's structure and approach most closely resembles that of the Big Six, it might be thought more at risk than other international law firms if accountants move into global legal services.

McGuigan disagrees. Accountants will undoubtedly move into the legal field and will present a challenge in some of the more routine areas of legal work. They could also increase pressures on pricing at the lower end of the market.

But for the foreseeable future they are likely to have significant difficulty in attracting the number of lawyers of real quality and experience they will need to mount a serious challenge to the big law firms.

BRIEFS

Lords to probe Community competition rules

THE House of Lords Select Committee on the European Communities has launched an inquiry into the enforcement of EC competition rules. A sub-committee chaired by Lord Slynn, Britain's former judge at the European Court of Justice, will concentrate its inquiries on the procedures of the European Commission and levels of decision-making.

Following concern expressed by the Court of First Instance in Luxembourg, the committee will examine:

- whether Commission procedures are flawed;
- whether staff shortages and budgetary constraints within the competition directorate are delaying decision-making;
- and it will look into the Commission's publicly-expressed wish that more enforcement of competition rules should take place at national level.

The committee's previous examination of competition practice – in 1982 – resulted in improvements in procedures. The sub-committee will also examine procedural operations and possible revision of the thresholds of the Merger Regulation.

Lovell White Durrant ahead

CITY solicitors Lovell White Durrant has emerged as the leading insolvency law firm in 1992-93 with 12 per cent of a market said by Datamonitor Analysis to be worth £69m. Datamonitor ranks Lovells first with revenues of £8m from insolvency work. Clifford Chance, the UK's largest law firm, is ranked second with 10 per cent of the market and revenues of £6.5m and Dibb Lupton Broomhead, the Leeds-based solicitors, third with 9 per cent of the market and revenues of £6m.

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On the figurative art carousel

William Packer wonders why Tony Bevan appears to be Britain's only artist celebrated abroad for this particular skill

Double Portrait: Study for 'The Meeting', 1992, by Tony Bevan

Tony Bevan is now 42, a product of the Goldsmiths' College and the Slade of the early 1970s. He is also that comparatively rare creature in his generation, a figurative painter who has been much supported by our principal cultural agencies such as the British Council, and has shown abroad with considerable success, most notably in Germany and California. And good luck to him, of course. It is only his very rarity as an artist working ostensibly from the figure, and shown as such on our behalf abroad in the company of other, more conceptual and abstract favourites, that should give us pause.

There he stands, by inference the sole worthy British representative of his kind in the eyes of our cultural officers and selectors. "What do you mean", we hear them cry, "we never push our younger figurative painters? But we put Tony Bevan into the *Aperto* of the Venice Biennale of 1988."

It is a self-fulfilling ploy, at once justification and excuse. We have only to wait until 1989 to find Carla Schulz-Hoffmann, in her introductory essay to Bevan's show at the Staatsgalerie Moderner Kunst at Munich, having cited Auerbach, Bacon, Freud, Moore and Hockney in general terms, going on to say: "Other than these well-established big names, each of whom has developed his own form of figurative art, it is only seldom that promising younger artists emerge, and one rarely encounters British names among the riders on the international artistic carousel." Quite so.

And so why should Bevan be the brave exception? His canvases vary in size but the format is uniformly simple, a head or figure presented directly against an intense colour or tonal field. The images are decidedly more graphic than painterly in their realisation, for all the dense impasto of the pigment on the surface. These are self-consciously dramatic, iconic presences, that strike powerfully upon the viewer's eye and imagination, at least at first. And they are worked not directly from reality but at a certain remove, from photographs.

The theme of Bevan's current exhibition at Whitechapel is *The Meeting*, which turns out to be a meeting, who knows whether for performance or rehearsal, of a small, nameless, male-voice choir. Surrounded by studies and single heads, the centrepiece is a polyptych that brings the group together in three ranks, mouths agape, gazing intently out at us, the unseen audience. The only thing is that, immediately impressive as this new work is in the old way of strong graphic silhouette, dense surface and bright colour, any longer and closer scrutiny reveals it to be very poorly done, all of it.

The drawing is weak and the painting worse than weak, for it is clear that Bevan has no understanding of form, and no technique at all for modelling and realising it convincingly within the limitations of pictorial convention. It is only fair to say that, working as he always has from the photograph, his inadequacy is understandable, for the photograph, that seductive, monocular cheat, has always left out or hidden at least as much as ever it revealed. To look at these boneless heads, soggy cheeks, cloth ears and absent noses, is to take the point. What is a little harder to take is the thought of Bevan as a significant upholder of a continuing figurative tradition.

Such disappointment casts doubt, of course, on the earlier work, but at least he got by so long as he stuck to his simple graphic method. It is only this present naive attempt to take on one of the greatest tests in all of painting – which is the proper understanding and description of the human head – and to do so as it were without looking, that has let him down.

So how do his apologists defend him? Not so much by moving the goalposts as by choosing to play on an entirely different pitch. "We can survey the paintings as painted surface and as metaphors for painting – a painterly approach. We can look at the paintings as expressions and examinations of states of mind – a psychological approach. And we can consider the collective aspect of the character types and of their relation to their viewers – a sociological approach": thus Michael Cullingworth in his introduction to the ICA retrospective in 1988.

Dr Schulz-Hoffmann, for her part, entitled the essay already quoted: "Representational Paintings as a Conceptual Method". She went on to say that "As with all other representational painters whom one can take seriously [a nice sideswipe that], so too for Bevan the ambivalence between abstract cipher and contentual (sic) meaning plays a decisive role." Oh, we see, *pace* le Bourgeois Gentilhomme, he has been a conceptual artist all along.

And what is his method? Peter Wollen tells us in his Whitechapel catalogue. "Tony Bevan makes his paintings on the floor, working on hands and knees . . . He likes the downward pressure of the charcoal stick or the paint-laden brush pressed down onto the canvas. The charcoal crumbles or the dense paint moves under pressure in ways that fascinate him . . . Because he is so close to the canvas during the actual process of painting, it is hard to predict what will happen when the painting is hung vertically on the wall and looked at from a distance . . ."

Anything, I suppose, is better than confronting reality, and testing the mark that is achieved against the one that was intended, in the way of Rembrandt, Chardin, Goya. The true debate is not about the death of painting, nor of the futility of modernism. Rather it is, or should be, simply about the quality of what is done, of whatever kind, if only our curators and cultural chiefs had the eyes and unfashionable courage to look properly *about* them.

It a mistake perhaps, but not a scandal that Bevan should be so celebrated at home and abroad. The scandal only is that he should be alone.

Tony Bevan: Whitechapel Art Gallery, Whitechapel High St, E1, until July 11. Sponsored by Loot, with support from Time Out and the Arthur Andersen and Co Foundation

Music at the Brighton Festival/**Ronald Crichton**

Schnittke for south-coast sophisticates

On Thursday, as part of a lightning European tour, the Saint Paul Chamber Orchestra under Hugh Wolff came briefly to rest in the Dome at Brighton. No signs at all of travel-tiredness: the prestigious ensemble from Minnesota gave an excellent concert. They opened with a *Tombeau de Couperin* Suite as crisp and crystalline as one could wish – just enough lemon-juice for Ravel's exquisitely on-the-edge harmonies. James Galway, the soloist in Mozart's G major Flute Concerto, made the (by Mozartian standards) garrulous piece seem more rewarding than usual. For the playing's sake, one forgave Edwin Roxburgh's over-elaborate cadenza.

At this point in the programme while Londoners on the following evening were offered Barber's Adagio for String, we south-coast sophisticates were treated to Schnittke's *Mozart à la Haydn*, in which a group of string players assemble in darkness to faint harmonics and fainter pluckings. When the lights come up, standing in a semi-circle, they exchange and play with Mozartian references until the process is reversed into darkness again. More than a good Festival diversion; a late descendant, surely, of Tchaikovsky's *Mozartiana*, and nobody can say he didn't love Mozart. And Haydn? Well, he made more musical jokes than most composers.

On Wednesday in Hove Town Hall two very distinguished senior artists to whom music-lovers owe an enormous amount, Victoria de los Angeles and Nicolai Gedda, gave a joint recital. A solo group each and two helpings of duets. For some reason vocal duets designed mainly for domestic performance sound a little sad in public. In their Schumann group one admired the style in spite of some wavering intonation. Musically there is little in the duets that Schumann did not do better elsewhere. A French group included two delightful examples by Saint-Saëns, whose endless output continually discloses unexpected good things, also a rarely-heard humorous item by Berlioz – "Le Trébuchet".

Gedda's solos, all Tchaikovsky, included "At the ball" which he does so well and a dashing "Don Juan's serenade". Plenty of metal left in the tone when required. For her part Mme de los Angeles gave us Falla's *Seven popular Spanish songs*. Lovely phrases, artfully shaped and shaded, in the quieter songs ("Canción" especially) but no longer the ferocity for, say, the final "Polo". With respect, the choice of Falla was not entirely wise. There are so many other Spanish songs requiring a less vivid contrast and pointing of moods. Geoffrey Parsons' accompaniments were admirable.

A footnote to what has already been written about the City of Birmingham Touring Opera's hearteningly enterprising staging of Rameau's *Les Boréades*, which I caught at the first of two end-of-tour appearances at the Goldsmiths' Leisure Centre at Crowborough. This is the kind of non-theatrical space (but modern, not picturesquely dilapidated) that may make an opera producer's heart leap for joy but denies a larger proportion of his audience a good view of the stage than the least democratically planned conventional opera house with side boxes and all that. The place was boomingly reverberant yet three singers, Peter Jeffes, Peter Snipp and Jonathan Best, took trouble and got their words across. It may be coincidental that they also produced more agreeable tone than any of their colleagues.

The Saint Paul Chamber Orchestra concert was sponsored by American Express. The recital in Hove Town Hall was given in association with the National Arts Collection Fund

Dance/**Alastair Macaulay**

Siobhan Davies premieres at Brighton

Part of the fascination of dance is that it always hovers between being figurative and abstract. Though people talk of "abstract ballets," dance – as several choreographers have remarked – cannot be truly abstract, because it deals with bodies. Yet we keep seeing human beings, as they dance, become changing shapes of ideal geometry, or impersonal embodiments of pure rhythm. And this is only the beginning of the mystery, for the greatest choreography plunges us into the drama *of* forms. "An abstract ballet," a critic once said, "is a ballet with more plot than a narrative ballet."

All the great choreographers, and many of the good ones, have been fully aware of this ambiguity. The British modern-dance choreographer Siobhan Davies has several times made it the conscious theme of her work – has made dances that hover between communicative drama and sheer dancing-about dance purity. I recall in particular *Something to Tell*, which she made in 1980 for London Contemporary Dance Theatre and which made a poetic dilemma out of the ambiguity of its dances.

And, as the title of the new work she has made for her own company, *Wanting to Tell Stories*, tells you, she is back at this theme again. The six dancers maintain an almost constant flow of motion, with a wide dynamic range from phrase to phrase. The main emphasis is men and women alone or in pairs, and the main drama – as often in Davies's work – is about people's need to depend on another and at the same time to be independent of them. The piece (part of a double-bill, with last year's *White Bird Featherless*), derives much of its essence from its score by Kevin Volans: brisk, changeful, suggestive.

The pendulum nature of Davies's dance style is itself emotionally suggestive. The dancers fall away from balance, decelerating as they do, and then scoop back up to recover balance. There are shades of retrospection and surrender in the fall, shades of aspiration and endeavour in the ascent. Motionless equilibrium is never achieved, and on the rare occasions that dancers hold a still pose they seem switched off – the pose is not charged with energy.

There are, however, stories behind the dance's stories. The decor for the piece – two highly mobile fence-screens suspended from above – has been provided by David Buckland, who has designed for most of Davies's choreography and who is her partner in private life. As on many previous occasions, Buckland's decor keeps busily interrupting Davies's dances, helping them out intrusively, drawing attention to how beautifully it means to assist in dramatising the choreography, and frequently drawing attention away from the dance. Too bad the two screens couldn't have been given curtain-calls; they did wonderfully – but at the expense of everything else.

Another problem is the different manners within the Davies dance company. In some ways the company's virtuoso is Gill Clarke. She has the most striking dynamic range, the most striking legato fluency. But she exists in a cocoon; she only knows how to make her own inner world real onstage. And there is a hark-at-me self-consciousness about her dancing that distracts from the dance. The other dancers have a kind of innocent attack and an absorption in a larger stage world that makes Davies's choreography more interesting. In this respect, Paul Douglas is outstanding here. His behaviour is completely modest, and yet he makes the dance, and his role in it, adult, affecting, poignant.

Gardner Arts Centre, Brighton. *Siobhan Davies then tours to Harlow (May 18-19), Exeter and Dundee*

Concert/**David Murray**

György Ligeti turns 70

Next Friday week is actually Ligeti's birthday; but the *London Sinfonietta's* homage-concert at the Barbican last Saturday came near enough. Ligeti's long career has been a perpetual tonic for contemporary music (though interrupted for a while some dozen years ago by ill health), and it continues apace. His opera after Lewis Carroll's *Alice* books is eagerly awaited.

This Sinfonietta programme, nicely devised, revisited signal achievements of that career: the Chamber Concerto and *Melodien* of 1971, the recent Piano Concerto, and some tantalising reminiscences of his mid-1970s opera *Le Grand Macabre* (for which an ENO revival is surely due). Those last provided the only echoes of his early Dadaist phase, now remembered chiefly for the mock-operas *Aventures* and *Nouvelles Aventures*, which play rather like Ionesco but are really in-jokes about the earnest contemporary-music scene.

Early Ligeti pieces were always sophisticated jokes or calculated experiments, or most often both at once. In his evergreen Ten Pieces for wind quintet, the comic "Fragment" for groaning bass-instruments (promised for this concert, but withdrawn by the composer because the joke no longer strikes him as good enough) or indeed the Chamber Concerto for 13 players, each movement exploits some narrowly specific musical language-game to the hilt. Somehow the intricate workings-out generate their own pungent flavours and suggestions.

For bigger ensembles Ligeti's experiments with "micro-polyphony" (dense contrapuntal knitting for many little voices, adding up to much broader effects), which began with *Apparitions* and *Atmosphères*, led to *Melodien*, tangled skeins of half-heard tunes. By now the Sinfonietta players must know their *Melodien* parts virtually by heart, and under the meticulous direction of young Markus Stenz the performance sounded luminous. Every fragmentary voice contributed poignantly to the sense of the whole. Like his Polish contemporary Lutoslawski, Ligeti conjures ghosts of old feeling from arcane new mechanisms.

The five movements of the Piano Concerto, delivered here by Pierre-Laurent Aimard with the utmost finesse, showed a new Ligeti. The first three were completed in 1986, two racing studies in multi-rhythms flanking a "Lento, deserto" of extraordinary stark power. By 1988, however, the composer had added two more movements, exciting and seemingly transparent, but of such expressive density as to leave the listener quite wrung out. Nothing merely "experimental" there: this is music with a formidable grip.

After that, *Mysteries of the Macabre* offered what was almost light relief. Drawn from the opera, it is Elgar Howarth's arrangement of the Secret Police Chief's coloratura arias for C-trumpet and ensemble. It retains the neo-Dada effects of the original setting – rattles and police-whistles, spoken interjections by the players, which lose much of their point out of context. Hakan Hardenberger's soaring trumpet, however, was its own justification and more.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Muziektheater Tomorrow, Sat, next Mon: Nikolaus Harnoncourt conducts Jürgen Flimm's new production of Le nozze di Figaro, with Olaf Bär, Charlotte Margiono, Alastair Miles and Isabelle Rey (625 5455)

Concertgebouw *Tomorrow*: Reinbert de Leeuw conducts New Sinfonietta in Honegger's Second Symphony and Frank Martin's Der Cornet, with Jard van Nes. Sat: Rudolph Barshai conducts Radio Symphony Orchestra in works by Tchaikovsky and Taneyev. Sun: Trio Valentin Zhuk plays piano trios by Haydn, Beethoven and Tchaikovsky (ticket reservations 671 8345)

ANTWERP

This week's Antwerp 93 programme includes Jan Fabre's music theatre piece Silent Screams Difficult Dreams, tonight, Thurs and Sat at Flanders Opera. Hugh Wolff conducts St Paul Chamber Orchestra on *Thurs at deSingel*, with piano soloist Emanuel Ax. Walter Hus' new Orpheus opera can be seen at Bourla on Sun and *next* Wed (226 9300)

CHICAGO

Orchestra Hall Tonight: Daniel Barenboim conducts Chicago Symphony Orchestra in works by York Höller, Prokofiev and Brahms, with violin soloist Itzhak Perlman. Thurs: Barenboim conducts symphonies by Haydn and Bruckner. Fri, Sat: Barenboim conducts Bruckner's Fifth (435 6666)

SALZBURG

For the second year in succession, the Salzburg Whit weekend concerts are to be given by the Chicago Symphony Orchestra. The first two programmes (May 29, 30) pair symphonies by Haydn and Bruckner, and are conducted by Georg Solti and Daniel Barenboim. In the final concert on May 31, Barenboim conducts Bruckner's Fifth (Tel 662-846500 Fax 662-840150)

GENEVA

MUSIC

Kurt Sanderling conducts tonight's concert by Suisse Romande Orchestra at Victoria Hall, including symphonies by Mozart and Tchaikovsky (311 2511). Leon Fleisher gives a piano recital on Mon (310 6611). Edo de Waart conducts final performances of Stein Winge's new production of Boris *Godunov at Grand Théâtre* tomorrow, Sat and next Mon, with a cast led by Samuel Ramey and John Tomlinson. Jadwiga Rappé gives a song recital on Sun (311 2311)

THEATRE

Marivaux's The Game of Love and Chance can be seen at Théâtre de Carouge, daily except Mon till June 6 (343 4343). Coline Serreau's modern philosophical fable Quisaitout et Grobéta is directed by Benno Besson at the Comédie, till May 29 (320 5001)

VIENNA

MUSIC

Staatsoper Tonight: Prokofiev's ballet Romeo and Juliet. Tomorrow: Carmen with Agnes Baltsa, Luis Lima and Sergei Leiferkus. Thurs and Sun: Don Giovanni with Boje Skovhus and Jane Eaglen. Fri: Christoph von Dohnanyi conducts Adolf Dresen's new production of Götterdämmerung, with Hildegard Behrens and Siegfried Jerusalem. Sat: La traviata with Nancy Gustafson. Next Mon: Giselle (51444 2855)

Messepalast Tonight: final performance of Steve Reich's new music-and-video theatre piece The Cave. The next Vienna Festival opera production is Gluck's Alceste, opening at Theater an der Wien on May 27 (586 1676)

Konzerthaus Tonight: John Adams conducts Ensemble Modern in works by Adams, Lieberson and Nancarrow. Tomorrow and Fri: Sviatoslav Richter plays Saint-Saens' Second and Fifth Piano Concertos with Vienna Symphony Orchestra (the 78-year old Russian virtuoso's first concerto performances in Vienna for more than 30 years).
Thurs: Maurizio Pollini plays sonatas by Schubert and Beethoven. Sat: Steve Reich and musicians. Sun: Ingo Metzmacher conducts Ensemble Modern in all-Ives programme. Next Mon: Riccardo Muti conducts Vienna Philharmonic Orchestra in Cherubini, Beethoven and Schumann (712 1211)

Musikverein Sat afternoon, Sun morning: Riccardo Muti conducts Vienna Philharmonic in works by Fauré, Beethoven and Schumann. Sun evening: Pinchas Steinberg conducts Austrian Radio Symphony Orchestra in Prokofiev, Bloch, Gershwin and Bruch (tickets 505 8190/information 505 1363)

THEATRE

Odeon Moscow's Taganka Theatre gives world premiere tonight of Chivago, drama based on works of Boris Pasternak, devised by Yuri Lyubimov with music by Schnittke. Repeated tomorrow, Fri, Sat and Sun (586 1676)
Akademietheater Thurs, next Mon: new production of Pirandello's Six Characters in Search of an Author, directed by Cesare Lievi. Fri, Sat, Sun: Chekhov's Uncle Vanya (51444 2959)

ZURICH

Opernhaus Tonight: Tosca. Tomorrow: Elektra. Thurs and Sun: Adam Fischer conducts Nikolaus Lehnhoff's new production of Don Carlo, with Francisco Araiza, Ruggero Raimondi and Gabriela Benackova. Fri: ballet mixed bill, including new work by Amanda Miller. Sat: La boheme. Next Mon: Gwyneth Jones song recital (262 [illegible])

Tonhalle Tonight: Dmitri Kitaenko conducts Tonhalle Orchestra in works by Brahms and Tchikovsky. Sun: Edmond de Stoutz conducts Suppé's Requiem (261 1600)

Theater 11 Tonight: Jonathan Brett-Harrison conducts Zurich Chamber Orchestra in Boccherini, Mozart, Delius and Suk, with piano soloist Karina Wisniewska (261 1600)

Schauspielhaus Tonight and tomorrow: Brendan Behan's play The Hostage. Thurs, Sat and Sun: new production of Feydeau's The Lady from Maxim's. Fri and next Mon: Hedda Gabler (221 2283)

WASHINGTON

KENNEDY CENTER

Tonight's National Symphony Orchestra concert is conducted by André Previn and includes works by Vaughan Williams, Nicholas Maw, Strauss and Haydn. Alfred Brendel gives a piano recital tomorrow. Richard Hickox conducts works by Haydn and Berlioz on Thurs, Fri afternoon and Sat. The theatre programme includes Oleanna, David Mamet's powerful drama about political correctness (daily except Mon), and the musical Guys and Dolls (202-467 4600)

BALTIMORE SYMPHONY ORCHESTRA

David Zinman conducts popular works by Ravel, Chabrier, Tchaikovsky and Kabalevsky on Fri, Sat and Sun at Joseph Meyerhoff Symphony Hall. Next week's soloist is Pinchas Zukerman (410-783 8000)

THEATRE

- Arms and the Man: Shaw's comedy of love and war in the Balkans. Till June 6 (Center Stage's Pearlstone Theater 410-685 3200)
- Shirley Valentine: Willy Russell's one-woman comedy about a mother with dreams that take her on a courageous voyage. Till June 6 (Church Street Theater 703-848 2632)
- The Skin of Our Teeth: Thornton Wilder's tribute to the indestructability of the human spirit as seen through the eyes of the Antrobus family. Till June 13 (Arena's Fichandler Stage 202-488 3300)
- Voice of the Prairie: John Olive's sweet story of the power of storytelling and the beginnings of radio in middle America. Till Sun (Olney Theater 301-924 3400)
- Spunk: three of Zora Neale Hurston's tales of urban and rural African-American life have been adapted for the stage by George C. Wolfe. Till June 13 (Studio Theater 202-332 3300)

JAZZ/CABARET

Blues Alley Jazz Supperclub This week's resident artist is pianist Ahmad Jamal, daily till Sun (1073 Wisconsin Ave, in the alley, 202-337 4141)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Buck stops at De Benedetti

Robert Graham on how the Olivetti case will affect Italy's corruption scandals


Olivetti's Carlo De Benedetti: accepts full responsibility

The direct involvement of Olivetti, Italy's fifth largest private industrial group, in the country's ever-widening corruption scandals has removed any lingering doubt that it was possible to do business with the Italian public sector without paying bribes to the political establishment.

At the weekend, Mr Carlo De Benedetti, the head of the computer and office equipment manufacturer, provided Milan magistrates with details of how over the past decade it had been obliged to pay bribes to be considered for government contracts. Olivetti joins a long list of Italian groups, topped by Fiat, who have admitted – either forcibly or voluntarily – to providing illicit funds to the politicians in return for obtaining favourable treatment.

The impact of Olivetti's disclosure is likely to be profound, hastening the process whereby other business leaders come forward to declare their own illicit payments. The news also emphasises the need for a new ethical code for both Italian businesses and international companies operating in the country.

The headline on one of yesterday's Italian newspapers summed up the sentiment: "Even Olivetti has paid". Until now Mr De Benedetti has consistantly denied his group was tainted by the system of corruption which has been uncovered over the past 15 months. This was his message to shareholders as late as last month. But on Sunday he decided to hand over to the magistrates a dossier of Olivetti's behind-the-scenes dealings with the politicians over the past decade.

Five episodes are detailed, the most important of which concerns L10.4bn paid to a "collector" on behalf of the political parties for contracts with the Ministry of Posts. In all Olivetti paid out close to L20bn to politicians since Mr De Benedetti took control of the group in 1978.

"I personally have never paid any money myself but I accept full responsibility for the actions of my group," he told the FT yesterday. He said he had no intention of passing the blame lower down the management ladder.

Mr De Benedetti's behaviour contrasts sharply with that of Fiat. The Turin-based automotive group, headed by Mr Giovanni Agnelli, pretended for almost a year to be above paying to obtain contracts. Even when its executives were arrested, they spent long periods in jail refusing to admit to any wrong-doing. But last month Fiat changed tactics. Mr Cesari Romiti, the chief executive, admitted the group had been involved in paying bribes and gave details to the magistrates.

Nevertheless, blame for Fiat's past behaviour has not been placed on the shoulders of the company's two most senior figures. Thus the most senior people implicated remain Mr Giorgio Garuzzo, the chief operating officer, and Mr Francesco Paolo Mattioli, the chief financial officer – respectively number three and four in the organisation.

Although Mr De Benedetti said he may not have known about the mechanics of Olivetti's dealings with the political establishment, he accepted full blame.

Yet his statement to the magistrates in fact goes further than admitting guilt. Instead, he has cast the Italian business executive in the role of victim – the corrupted not the corruptor. "The emissaries of the political parties [in government] imposed a general condition which could be summed up as 'if you don't pay, you can't work with us'," he told the magistrates. The threats, he said, were little short of those of racketeers and extortioners.

Mr De Benedetti told the FT that the Ministry of Posts had threatened to withdraw business from Olivetti if it did not pay bribes. In 1987 purchases by this ministry were only L2.1bn. The following year – after the group had agreed to pay 2 per cent of the value of orders by the ministry – purchases jumped to L204bn.

Politicians involved in the scandals have testified that the business leaders were often ready accomplices. They obtained not just contracts but a whole "political cover". Benefits included cheap state credits, government help in covering unemployment benefit and a series of invisible barriers operated by the Italian administration to exclude foreign competition.

Mr De Benedetti insisted, however, he had been obliged to pay to maintain Olivetti's 60,000-strong workforce, and he resisted the system of corruption as much as he could. As a result, less than 5 per cent of his group's turnover was with the public administration – while international competitors such as France's Bull and Germany's Siemens had a far greater share of their turnover linked to government sales in their home countries.

Asked why he did not publicly denounce such pressures, Mr De Benedetti said: "1993 is not 1987. Then there was a regime running the country."

This is a reference to the way in which the Christian Democrats and Socialists, the main partners in government, had carved up control of the public administration and needed vast sums of money to pay for their party bureaucracies and the luxurious lifestyles of their members. Mr De Benedetti told Milan magistrates these parties had exacted a sort of company protection tax. e

Mr De Benedetti claimed his attitude had been consistent throughout. Last June, when he discovered that one company in the group, Sasib, had been involved in paying bribes for the Milan metro contract, the manager was instructed to co-operate with magistrates immediately.

He said he did not take the initiative in going to the magistrates himself until after Olivetti's name was directly questioned. This happened in the past 10 days with the arrest of two figures connected with the Ministry of Posts and Asst, the state telephone service company. "I kept quiet for the simple reason that I wanted to protect both the company and the shareholders."

The group is already in a delicate financial position which reflects the downturn in the international computer market. Preliminary estimates of 1992 losses are in the range of L650bn; losses are also expected at CIR and Cofide, Olivetti's listed holding companies.

Mr De Benedetti appeared sanguine on the possibility of shareholders' raising the issue of falsifying accounts to hide bribes. Olivetti accounts, he pointed out, contained a heading of "non-itemised expenditure" under which illicit political payments had been made. By so declaring the payments, he says, "we have even paid taxes on these monies".

Nevertheless these revelations have badly tarnished Mr De Benedetti's image, which he has fought hard to recoup since his brief involvement in the 1982 collapse of Banco Ambrosiano. Mr De Benedetti is still waiting for Italian justice to run its slow course in that case, in which he is appealing against the decision of a court of first instance in April 1992 to sentence him to six years in prison on charges of fraudulent bankruptcy.

Joe Rogaly

Bicycle ride to a revolution

The long relative decline of Britain will continue until there is a revolution. What kind of revolution? One answer is given by Professor Stephen Haseler in a new book entitled The End of the House of Windsor – Birth of a British Republic*. Our author is professor of government at Guildhall University, London. "The dawning truth about Britain in the post-war period," he writes, "is that the country seems to be running out of options. We have tried virtually every strategy for survival."

Yes, yes, but what *kind* of revolution? Well, actually, a cultural revolution. Back to the professor. "...Our culture – the way we think, the way we talk, the values we live by, indeed 'the British way of life' – no longer allows us to compete effectively in the modern commercial world."

As he sees it, the way to change the culture is by reform of our governing institutions and indeed the constitution itself. Turning our monarchy into a republic would certainly achieve that. "My argument here", writes Professor Haseler, "is that, over time, new attitudes and aspirations would follow."

Ordinarily, none of this would matter. It could be dismissed as academic pub-talk. Maybe it still can. But it is possible that the professor is pulling at a loose thread of indeterminate length. His book appears at a moment when the competence of the government is more deeply in doubt than at any time since 1945. That would be bad enough, but the opposition is divided and its largest component, the Labour party, presently inspires little confidence. We are heading towards a mid-1990s election in which the choice before us may be between competing B-teams. This is frustrating. It has not led to marches behind republican banners, but the political atmosphere is becoming more hospitable to those who propound systemic reforms.

So is the social climate. The behaviour of some of the royal children has eroded loyalties that once seemed beyond question. The Queen herself remains popular. Her position is, deservedly, secure. What comes after her is, however, unpredictable. Visitors to Britain do not have to move very far from the airport to discover that the House of Windsor faces an uncertain future. Just pick up any newspaper, or look out for a clutch of books – some published, some about to be – that seek to catch the tide built up by the tittle-tattle of the tabloids. Professor Haseler does not shrink from exploiting this phenomenon. "It is fitting," he writes, "that the travails of Diana and Charles's marriage should be the catalyst for major change."

The solution to reforming the British political system may lie in Europe's little northern monarchies

The same series of events has encouraged The Times, once a rock of allegiance to the throne, to associate itself with the reformist Charter 88 movement in a forthcoming conference on "The Monarchy, the Constitution and the People". This gathering, due on Saturday, will be addressed by staunch monarchists, moderate reformers, and Professor Haseler. We should not conclude that Mr Rupert Murdoch, a suspect republican, is using his posh London newspaper for nefarious purposes. I wouldn't know anything about that. The pertinent point is that a journal that carries the court circular every day is facilitating a debate on the monarchy that 20 or 30 years ago might have been deemed treasonable. That is how far public opinion has moved.

It still has a mighty long way to go before there is a republican movement in Britain. In spite of my dreams of a federal republic in these islands I would stop well before that, and settle for a Dutch, Belgian or Scandinavian form of disestablished throne. Professor Haseler dismisses such a solution as certain to fail. But consider the essence of the argument, his and mine, in favour of constructing a new British constitution by removing the crown, the keystone, from the arch of the present antiquated structure.

It is the crown that supports, and is supported by, the anachronistic House of Lords; the crown in whose name ministers feel able to sign treaties, such as the one concluded at Maastricht, in the absence of parliamentary approval; the crown that legitimises the thousand and one decisions made in the dark corridors of Whitehall every day. Replace its authority with that of a written constitution, dismiss the House of Lords and elect a senate, and you have quite enough revolution for the average English family to stomach.

Europe's little northern monarchies have solved the problem. They do not have hereditary upper houses of parliament, and their constitutions specify exactly what their kings and queens may do. Queen Margrethe II of Denmark has "supreme authority in all the affairs of the realm", but, as with the conclusion of treaties, only with the consent of the Folketing. Likewise Queen Beatrix Wilhelmina Armgard of the Netherlands. She may appoint her prime ministers by decree, but does so on the report of a "formateur" to the effect that he or she commands a majority.

No such sliver of ambiguity prevails in Sweden, whose constitution provides for the speaker of the Riksdag to propose a new prime minister. Government decisions do not require King Karl XVI Gustaf's signature. King Baudouin of Belgium has far greater nominal powers (he is the supreme head of the executive). But in practice he does not exercise them.

British subjects who see the need for reform but insist that the person of a respected monarch is a focus for national loyalties may thus have their cake and eat it, simply by learning from the Low Countries and the Scandinavians. These are in essence republics, in which authority is derived from the people. For reasons of their own they retain their cycling monarchs. We may have to do the same. Perhaps the Union Jack is not an adequate substitute for a crowned head, as the stars and stripes are in the US, or the abstract notion of the state is in France. Perhaps our revolution, when it comes, has to stop short.

The chances of this happening are becoming real. The Labour party's proposals for constitutional reform says little about the monarchy, but if the other parts are enacted, the rest will surely follow. We may be in for permanent Conservative government, but this seems doubtful. One day an electable, reforming, alternative will be on offer. With any luck, the British polity will then become like that of Italy a year or ago: pregnant with sudden change.

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Argentina active in meeting loan terms

From Mr S Shahid Husain.

Sir, Your article recounting the pressures on the International Monetary Fund and World Bank to lend quickly to the former Soviet Union quoted an unnamed G7 official as questioning how much conditionality there was in the bank's recent lending to Argentina ("Much ado about lending", May 12).

The answer is, plenty. Since 1990, the Argentine government has undertaken a major reform programme, and we have made four large adjustment loans to support it. Compliance so far has been excellent; two of the loans are fully disbursed. The government negotiated with the bank actions in three key areas: the downsizing and improvement of a bloated and poorly-paid public administration; reform of an inflation-prone financial sector; and sale or closure of grossly inefficient public enterprises.

Some of the actions we jointly agreed on in public administrative reform were the reduction of the national government workforce by 130,000, far better pay for the rest, and a virtual ending of tax loopholes. The latter helped Argentina raise its tax revenue from 13 per cent of gross domestic product in 1989 to more than 22 per cent last year.

Financial reforms included a new charter for the Central Bank, the closure of a large industrial bank, and sale of the country's largest savings bank.

The public enterprise reforms have been even more impressive. They include a new charter for the national oil company permitting its sale to private owners, privatisation of the national railway system (after reducing its workforce by 30,000), national telephone company, Buenos Aires electricity system, national gas complex, a series of major and minor oil fields, the largest steel mill and petrochemical complex in the country, and sale or closure of more than 20 enterprises owned by the defence ministry. The programme, now approaching completion, is one of the most ambitious in the hemisphere.

Your unnamed G7 official should have known better.

S Shahid Husain,
vice president, Latin America and Caribbean
The World Bank,
Washington, DC 20433,
US

ERM totally discredited

From Mr A R Irvine-Fortescue.

Sir, Following further devaluations of the Spanish peseta and the Portuguese escudo the exchange rate mechanism has been totally discredited as an instrument of policy.

It should now be clear that attempts to impose linked, or semi-fixed exchange rates to groups of currencies within a global market of floating exchange rates is a perilous interference with market forces.

The exchange rate mechanism is unable to cope with differential economic growth rates among its monetary constituencies. European governments must now decide whether to adopt fixed or floating exchange rates. Governments may wish to adopt exchange rate target bands to finesse policy objectives but these must be confidential or the speculators will have their day.

Alexander Irvine-Fortescue,
Orchard End,
Park Road,
Winchester,
Hampshire SO23 7BE

Accountability in local government funding

From Mr Robin Squire.

Sir, I was interested to read your editorial headed "Local Finance" (May 13). Certainly the report from the Audit Commission on Standard Spending Assessments (SSAs) is a timely contribution to our current review. We welcome its finding that SSAs are a more sophisticated system for equalising needs than any overseas system it examined, as well as an improvement on its predecessor.

You and the report rehearse separately the familiar argument that council tax should bear a greater proportion of local government expenditure. As the new tax settles in, this is clearly something that will be carefully considered each year.

Your suggestion that local accountability (which we both agree is important) would be enhanced by returning the business rate to local authorities is more questionable.

Where is the increased accountability to the local electorate in such a move? Moreover, how can you suggest such a power would require "capping" while you appear to endorse criticism of identical powers in respect of council tax?

Robin Squire,
parliamentary undersecretary of state,
Department of the Environment,
2 Marsham Street,
London SW1P 3EB

UK farmers would do better without CAP

From Mr Anthony Rosen.

Sir, Every concerned taxpayer should support MEP Terry Wynn's protest about the shortsighted increase in Common Agricultural Policy funding of £800m (Letters, May 10).

Contrary to popular thought almost all efficient British farmers would agree with him, for fraud and incompetence have made the CAP an anachronistic and fraudulent nonsense.

The recent EC report on the subject of CAP fraud lists corruption to the extent of £198m. But the newly appointed president of the EC's Court of Auditors estimates CAP fraud in 1992 to have been not less than £6bn.

Quite apart from fraud, the majority of the £26bn annual spending on the CAP is not achieving its objectives. Research by Professor David Harvey of Newcastle University suggests that less than 20 per cent of the CAP's spending actually helps farmers.

The majority of British farmers would be far better off were there to be a rapid termination of the CAP and if they were to be allowed to compete on a fair trading basis.

New Zealand has eradicated all agricultural subsidies and their agriculture is now booming. Is there not a lesson to be learned here?

Anthony Rosen,
chief executive,
Feenix Farming,
Rosehill,
Arford, Headley,
Hampshire GU35 8DF

Mission in need of more than written message

From Mr Pernille Ahlström.

Sir, There is wisdom in the old saying "A picture speaks a thousand words".

With reference to Lucy Kellaway's article on mission statements (Management: "Man with a mission", May 10), it is clear that the written word is not enough to give meaning to an organisation in the eyes of its employees – or, indeed, its management. A company can spend a great deal of time soul-searching and consulting to come up with the right statement only to see it instantly emasculated by the confused messages of a hodgepodge of signs, brochures, variations of a logo and an often inconsistent quality of writing.

So the message of the mission statement must be seen to be acted upon, which means it must permeate everything the organisation says and does. Marks and Spencer, for example, communicates its message so well that a mission statement blazoned on the corporate walls would actually be superfluous and would be seen to indicate a lack of confidence. M and S, however, has a physical presence and operates in a highly visual world with tangible, packaged products.

The City operates in a world of invisible services dependent upon the spoken and written word where reassurance is vital to success because no one can actually see what it does. Here the approach and attitude towards employees and clients/customers become the main channel for a mission statement message.

For a City organisation, the most tangible and effective means of being seen to be acting upon that message is through a clear and consistent corporate identity. In other words, the company must not only sound as if it knows what it is doing and where it is going, it must also look it.

Doing otherwise is a waste of effort, time and money.

Pernille Ahlström,
G H Creative,
8 Prince Way,
Airport Executive Park,
Luton LU2 9PD

Ridiculous notion

From Lord Monson.

Sir, The next time readers rebuke Edward Mortimer for "going on about Bosnia", to the relative exclusion of other areas of communal conflict such as Armenia and Tajikstan ("Twin track to Bosnia peace", May 12), he should respond by pointing out that Bosnia actually lies closer to the "heart of Europe" than Britain does. So, even if one sets aside all moral considerations, the notion that the area can be neatly quarantined and then conveniently ignored is ridiculous.

Monson,
House of Lords,
London SW1A

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Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

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New agenda in Germany

NOT FOR the first time in the saga of German unity, a compromise has been reached – this time over the pay dispute in the east German metal industry – which brings relief, but no joy. An accord at the end of last week provides a formula for ending a fortnight-old strike, the first prolonged stoppage in eastern Germany for more than 60 years. It postpones equal wages in the east and west German engineering industry for two years until 1996. But it does little to head off the *risk that the* region east of the Elbe will become permanently dependent on funding and favours from the west.

Mr Franz Steinkühler, the leader of the IG Metall trade union, is right to say the accord *has implications* for the whole of Germany. The agreement may not however live up to Mr Steinkühler's claim that it will "strengthen confidence in [German] unity". Unless his country can adjust quickly and decisively to the economic consequences, the deal carries the risk of further undermining the chances of making German unification a success.

The bitterness of the dispute has been increased by government promises in 1990 to bring easterners speedily to west German living standards. Politically, an agreement was necessary to avoid perpetuating east Germans' status as second class citizens. From an economic point of view, however, the accord is not justifiable.

Employers have secured the conditional right to "opt-out" clauses for enterprises which cannot afford officially-sanctioned pay increases. The effective east German unemployment rate is already, however, about 30 per cent. Struggling with burdens inherited both from communist central planning and (in milder form) from mistakes in Bonn's unity policies, east German enterprises are grossly uncompetitive at present pay and productivity levels. By winning a 1993 pay increase of about 15 per cent – compared with the employers' offer of 9 per cent and the 26 per cent due under a flawed 1991 agreement – many east German workers know they are pricing themselves out of jobs.

The west must pay a price, too. Partly because of the desire to prevent large westward migration, west Germans have, in effect, undertaken to underwrite large financial transfers to their eastern brethren at least until the end of the century. The cost of financing these transfers will be bearable only if west Germans rise to the challenge of increasing the dynamism and efficiency of their own economic arrangements.

To help job-creation, west German employees will have to accept cuts in real earnings both this year and next. Further cuts in social spending, already presaged by latest news of recession-induced shortfalls in tax receipts, are badly needed. By promoting the "opt-out" possibilities now agreed in eastern collective bargaining, the government should push employers and trade unions towards much greater wage flexibility in the west as well. Additionally, the country badly needs longer working hours – both per week and over the whole of an individual's life – to tackle acute financing problems in the health and pensions systems.

Germany's deep recession is probably not the best time to push through much-needed reforms. But at least now there are no illusions about quick or easy solutions. The agenda has been made lengthier, and more difficult, by the errors in dealing with German reunification. The penalty for inaction is considerable; but so will be the reward for eventual success.

Tough at the top

TEMPTING though it may be to attack the external directors of the Bank of England for awarding the Governor-elect, Mr Eddie George, a handsome pay increase in these dark times, this reaction would be misplaced. Since Mr George wants his pay to be frozen over his five-year term of office, nobody can be quite sure what his real pay will be. True, the starting point is higher than at any other job in the public sector. Equally important, it is substantially higher than that of Mr George's opposite number in the Treasury, Sir Terence Burns. But then Sir Terence can console himself with the thought that as long as the Bank of England is denied independent status, it is he who has the power, if not the pay.

If Mr George's judgment is to be questioned, it might well be on the grounds that he has been prepared to take a bet, in his personal financial arrangements, on the future course of a monetary policy over which he has only limited influence. Inflation is now almost certainly close to its low point in the present economic cycle. If the gap between the yield on fixed interest and index-linked gilts is any guide, the market is assuming a long run rate of inflation of around five per cent. In short, by the time Mr George retires, inflation will have reduced the purchasing power of the pound in his pocket by more than 20 per cent.

There is thus every possibility that both the Chancellor and his permanent secretary will be catching up in real terms with Mr George over the next five years. Only when they freeze *their* pay – or declare the Bank independent – will the government's inflation target of 0-4 per cent begin to carry much credibility.

Drugs prices

THE DRUG industry's fat profit margins have made it an easy target *for the Clinton* administration in its struggles to find a way to bring US health care costs under control. Allegations of profiteering, combined with threats of price curbs, have taken their toll on pharmaceutical company share prices. And, though mandatory price controls now seem less likely than a few months ago, the industry has felt a need to respond by proposing a voluntary price cap.

Price controls, whether of a mandatory or voluntary kind, are not the way to bring prices down. They would probably prevent drugs bills from falling as quickly as they could. They would also endanger research into new drugs. Instead, as Mrs Hillary Clinton's health task force puts the final touches to its blueprint for reform, it should rely on competitive market forces to deliver better value for money.

In industries characterised by monopoly – such as gas, telecommunications, electricity and water – price regulation is unavoidable if consumers' interests are to be protected. The pharmaceutical industry is not such an industry. Patent protection gives companies a limited monopoly. But, when drugs come off patent, generic competitors are usually available at a fraction of the price. Even while patent protection continues, most drugs have rivals which, although not exact copies, are equally effective.

The problem is *not one* of a lack of competing products but of the failure of purchasers to shop around. Prescription decisions too rarely take account of prices, because doctors consider it their job to cure patients rather than control costs, leaving insurers and taxpayers to pick up the tab. Such limited price sensitivity has allowed drug companies to get away with what have sometimes been sharp price hikes. Introducing price controls in such a market would be damaging.

On the one hand, there would be a danger of imposing controls which were too harsh. This would have the effect of disrupting research into drugs to tackle illnesses such as Aids, Alzheimer's and cancer. But controls could be too lax, with the result that patients' interests were sold short.

Even if controls were miraculously just right, they would have the effect of stifling the development of a more competitive market and the dynamic efficiency gains that would flow from it. There is scope for cost savings in all the drug companies' activities, but introducing price caps could very easily turn the industry into a government-licensed cartel.

A *better way to control* costs is to encourage purchasers to shop more diligently. This is already happening among health maintenance organisations and other "managed care" providers, which take an active interest in whether *the drugs their doctors* prescribe are good value. Since they are only prepared to pay for drugs that meet that test, they are able to pick and choose between rival companies' products and often receive substantial discounts.

The Clinton administration is well aware of these benefits and is keen to extend them to the whole population through an overall approach to health care, dubbed managed competition. Such an approach would not only deliver better value for money in the short run. It would also give the industry a spur to greater efficiency, so holding out the prospect of better value in the future, while maintaining the incentive to develop new drugs.

Combining this policy with price caps would be unnecessary. It would also undermine the idea of a competitive market.

Low morale and rising competition are the challenges facing British Airways' new bosses, says **Paul Betts**

Struggle to get above the cloud

Mr Robert Ayling, British Airways' new managing director, was taking a steady stream of telephone calls last week in his Mexico City hotel suite, at the same time as completing a memo to the airline's 49,000 employees.

Back in the company's London offices, Sir Colin Marshall, BA's new chairman, was calling in a succession of senior advisers for a series of hectic meetings.

Though thousands of miles apart, both men were engaged in final preparations for the most important day in the company's annual diary.

For both of them, taking over in the wake of Lord King's retirement as chairman, today's announcement of BA's financial results will be particularly significant. It will be the first time that the airline's new management team will address the City of London since the company's High Court libel settlement and humiliating apology in January to Mr Richard Branson for the "dirty tricks" campaign against his Virgin Atlantic Airways.

The airline has continued to outperform most of its competition. Overall, BA's scheduled traffic rose by 12.3 per cent in the financial year ending March on a capacity increase of 11.3 per cent. BA is expected to show a drop of about a third in pre-tax profits for the financial year that ended in March, to a figure of between £180m and £200m compared with £284m the previous year. However, the majority of its competitors are continuing to report huge losses.

Europe's biggest airlines, hit by recession, overcapacity and fierce fares wars, saw their accumulated losses increase last year to $1.35bn from $1.1bn in 1991, according to figures published last Friday by the Association of European Airlines. And in the last three years, the International Air Transport Association says western carriers lost a total of more than $10bn on their international scheduled routes.

"Under the circumstances, our performance is wonderful," says Mr Ayling. But he is also the first to acknowledge that BA is entering a new era. The "world's favourite airline", as BA likes to call itself, faces a number of strategic questions which will test the mettle of its new top managers.

Externally, the company must continue to expand around the world at a time of increasing airline deregulation and competition. Internally, the new team faces an additional task: cleaning its own stables and restoring internal morale after the Virgin case.

Mr Branson has launched new legal proceedings against BA and shows every intention of maintaining the pressure on his bigger UK rival. BA's board has again renewed its confidence in all the company's directors, stating publicly last month that board members "do not question the integrity" of Sir Colin and Mr Ayling.

Despite their efforts to distance themselves from the "dirty tricks" campaign, a cloud still hangs over BA's management. The company has decided not to give details of its side of the story because of the threat of further litigation. But in the absence of any facts, speculation has been allowed to run rife, creating considerable anger and frustration inside the company.

If internal morale has been sapped by the Virgin affair, BA's UK workers have become even *more concerned about their own* circumstances. Unions representing pilots, cabin crews and ground staff have balloted their members about industrial action. They are increasingly unhappy with BA's plans to become a global airline and its intensified *efforts to cut costs*, including the creation of low-cost subsidiaries for UK regional services and for the loss-making short-haul European operations based at Gatwick, acquired last year from Dan Air.

Sir Colin insists BA is not attempting to "export" jobs through its international partnerships with airlines in the US, Europe and Australia. "We are trying to ensure BA becomes the lynchpin in the future global entity for our business," he explains. But he admits he would have preferred to space out over a longer period of time the flurry of acquisitions the company has made in the last four months.

The company has spent £500m to £600m acquiring strategic stakes in USAir, Qantas of Australia, the French TAT regional carrier and a small German carrier, as well as taking over Dan Air and the Plymouth-based Brymon operations in the UK. To help finance these acquisitions and reduce gearing, which stood at 46 per cent at the end of last year, City analysts expect BA to launch a big rights issue when it announces its results today.

In his memo from Mexico City, Mr Ayling has attempted to reassure the airline's staff that the company will do all it can to safeguard their jobs. But he also warned it was necessary for the company to continue improving efficiency, introducing, among other steps, a differential pay structure as the only alternative to closure or disposal of loss-making UK operations.

US airlines have already introduced two tier wage systems to reduce costs of lower yielding and unprofitable short haul operations. But the concept is new in Europe.

"Gatwick has always been a loss maker: British Caledonian lost money on its short haul routes and we found it difficult to improve the performance when we took them over," Mr Ayling said. The collapse of Dan Air offered BA a "one-off" opportunity to change the level of costs of the airline's operations at Gatwick, he added.

"If Gatwick is to work, we've got to have a lower cost base than we can live with at Heathrow. We came right up front on that," Sir Colin explained. Gatwick has traditionally been a loss-making operation because of its higher proportion of leisure to business traffic compared with Heathrow.

BA successfully restructured its UK regional operations last year into a low-cost subsidiary with lower wage levels than at Heathrow. But the decision to set up another low cost subsidiary at Gatwick has worried unions and staff who fear BA will seek new labour concessions at Heathrow.

Mr Ayling has gone out of his way to stress that BA had no intention of seeking pay reductions except "in the wholly exceptional circumstances where this is the only alternative to closure or disposal of parts of BA which are making unsustainable losses". This was the case for the Gatwick short haul operations, which are losing about £35m a year, and the UK regional operations, which have now become profitable under their new lower cost structure.

BA's labour costs ten years ago accounted for about 35 per cent of the airline's total annual costs. Today they have fallen to around 25 per cent. This steady improvement in productivity is largely responsible for the airline's profits this year when revenues and yields have been under pressure.

With the exception of Belfast and the short-haul Gatwick operations, all the airline's operations were profitable last year although the company made less money on its traditionally lucrative North Atlantic routes because of intense fare competition.

Sir Colin and Mr Ayling are now trying to create a new *esprit de corps* to take staff and middle management with them as the airline adapts to the competitive pressures of an increasingly global and deregulated airline industry.

"The company is not hell bent in cutting people's pay and conditions," Mr Ayling insists. "It is not trying to reduce the number of people employed – quite the opposite. We are enlarging the company and trying to use the benefits of globalisation to everyone's advantage."

In the past 10 years BA's employment in the UK has grown from 37,000 to 49,000. The airline has been significantly more successful in lowering its costs than its big European competitors. It must continue *these efforts, however. The UK* government has actively encouraged new entrants and opened up Heathrow to more competition.

"John King gave BA a new sense of commercialism. He brought that with Colin who brought the necessary customer service and disciplines of management to the company," Mr Ayling says.

"My challenge is to take that on to the next stage," he says, hoping to achieve "as much participation and sense of belonging as possible."

Some in the company felt that the King-Marshall era created such a competitive – and at times ruthless – atmosphere that staff may have felt encouraged to overstep the boundaries of acceptable behaviour.

Now, with the Virgin dispute hanging over it, BA will have to be seen to be whiter than white in an industry notorious for sharp practice. Pacing his Mexico suite, Mr Ayling had no doubt of the task he faces. "The challenge," he said, "is to create a climate of enthusiasm and competitiveness within the bounds of the acceptable."

British Airways: bucking the trend

Sir Colin Marshall
Chairman

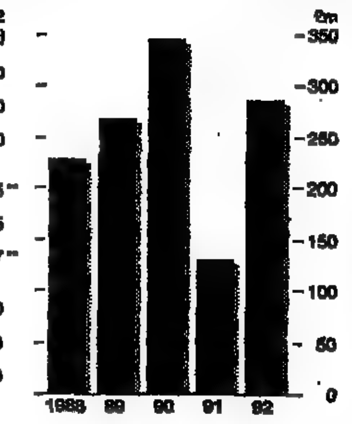
Robert Ayling
Managing director

Airlines' net profits and losses

	1990 ($m)	1991 ($m)	1992 ($m)
British Airways	174.5	444.0	400
Air France*	-277.7	123.0	-500
Lufthansa	5.4	-272.4	-1,100
AMR (American)	-76.8	-239.9	-935**
Delta	-22.3	-239.5	-565
UAL (United)	95.7	-331.9	-957**
Cathay Pacific	373.0	380.0	250
JAL	97.1	-22.2	-400
Singapore	499.2	568.7	600

* Includes UTA and Air Inter
** Includes one-time accounting charges

Pre-tax profits



John Authers on moves by women to breach the 'glass ceiling' at Oxford University

Men's room only

Women stormed Oxford University's "walls of Jericho" a century ago, when the first women's colleges were established.

This afternoon, at a meeting in the Sheldonian Theatre of Congregation, the university's governing body, they will attempt to breach the "glass ceiling".

The rest of Britain's academic community will be watching with keen interest. In universities across the country, women have succeeded in gaining access to the student body on almost equal terms at the lower levels, but the opportunities for promotion remain limited.

Only six out of 178 Oxford professors, and four of the 69 readers – the next academic rank down – are women. This cannot be explained by low numbers of applicants because female representation in the lower echelons is much healthier – 12.5 per cent of university lecturers, 27.1 per cent of college lecturers, and 42 per cent of undergraduates are women.

These figures are only slightly worse than the national averages. A survey by the Association of University Teachers shows that only 5 per cent of professors at "old" universities (excluding former polytechnics which have recently gained university status) are women, up from 3 per cent in 1989-90. Two-thirds of current female professors have been appointed within the past five years.

Critics say UK universities suffer from the phenomenon, noted in other professions, of an invisible ceiling to promotion – women can enter, but then find it very difficult to break through a layer of "glass" to upper tiers.

The experience of one female professor at a northern university sums up the argument: "Benevolent sponsorship is what a lot of us have up to a certain level, and then the green-eyed monster comes in. Once you become a threat unreasonable criticism is levelled at your work. It's very hard to identify."

Now, a group of 79 Oxford academics believes it has spotted systematic discrimination, on top of the cultural barriers. The academics have forced a vote in Congregation, which this afternoon will decide whether Oxford's current system for apportioning funds and promotions is discriminatory.

The move follows a decision by Oxford to use the £100,000 available for promotions this year to create new professorships, rather than readerships for which the money had originally been intended.

The university did so because it felt that Oxford academics would enjoy more clout nationally and internationally if they carried the title of "professor".

But an article in a university journal, Oxford Gazette, by two Oxford lawyers, Sandra Fredman and John Gardner suggests that the decision to create more professorships discriminates against women, because few women are senior enough realistically to challenge for a professorship.

The article adds that the decision could fall foul of the Sex Discrimination Act, and *"offers a splendid* opportunity for a test case". It claims that the disproportionate number of men gaining promotion "might be accepted by the courts as sufficient to establish a *prima facie* case of discrimination".

In its defence, a spokesman for Oxford said four women have been appointed to established chairs in the past two years, and that Oxford has started from "a very low base" – until 1979, two-thirds of its colleges admitted only men.

The lawyers have won support from outside Oxford. Mr David Triesman, AUT general secretary, describes the Oxford statistics as "more like the dark ages than the dark blues", but points out that the picture is hardly brighter elsewhere in the UK. He adds, for example, that female professors are paid less *on average than their male counter*parts, according to an AUT survey.

Mr Triesman says government funding councils should take account of universities' success in promoting women when distributing grants.

Yet woman academics appear more concerned by issues of culture than by pay disparities. Many seem to agree that positive discrimination and quotas are not the answer. Rather, their focus seems to be on reversing the culture of British universities which many finding intimidating, as reflected by their academic underperformance – Oxford women are only half as likely to get a first as Oxford men, while nationally the proportion rises to two-thirds.

At higher academic levels woman often fall victim to unconscious prejudice from professorial committees, which are also male-dominated. Both professor Joan Busfield, pro-vice-chancellor of Essex University, and Professor Ruth Lister, of Bradford University, use the same word to describe the problem: gravitas. Senior men are more likely to see this quality in other senior men than in women.

Professor Lister says: "It often *comes down to man's judgment* of gravitas. You can see how sometimes women may not fit the implicit criteria, and which may push male selectors towards male candidates." Ms Emma Westcott, a student at Oxford, expresses this *more passionately*: "The problem is that the system has been built around men for 750 years. Are we prepared to change ourselves to reflect the diversity we now have?"

OBSERVER

Picking winners

■ When tipping political stars, as opposed to the stock market, Kleinwort Benson's record is better than most. Hence the appointment of David Willetts, ex-director of the Centre for Political Studies, as its political consultant has caught the eye.

Judging by the careers of most of Willetts' predecessors, such as John Biffen, Chris Patten and Michael Portillo, the 37-year-old MP may be bound for ministerial office. Certainly Judith Chaplin had been marked out before her untimely death.

But it seems odd that KB did not reappoint Nigel Forman, Chaplin's predecessor and Nigel Lawson's former PPS, as its consultant. After all, he has just replaced Chaplin as parliamentary adviser to the Institute of Chartered Accountants, and only gave up his KB post a year ago to become a junior Education minister.

Could KB's psephologists have decided that Forman is no longer marked out for high office? For what it's worth, Observer's view is that the ICA's gain is KB's loss.

Morgan's upgrade

■ The reshuffle at the top of the M&G Group has not resolved the long-term management succession issue at one of Britain's biggest independent fund managers. David Morgan, who will take over from Paddy Linaker as group managing director in the summer of 1994, is of a similar age to Linaker.

Morgan, 59, does not view himself as a caretaker chief executive. But it still looks like a relatively temporary appointment whilst the next generation of M & G's management is tested out. On present form finance director Tony Shearer, 44, seems most likely to end up running the show, especially since he has been upgraded to chief operating officer. But if he does, then M & G may have to ditch its rather out-dated prejudice that only fund managers can manage fund management firms.

Indefinable

■ News that Formula One champion Nigel Mansell has qualified for this month's Indianapolis 500 race, whereas four time winner A J Foyt has not made it to the starting line, reminds Observer of an old joke attributed to Tony Hulman, a former owner of the Indianapolis Motor Speedway. When asked who he thought would win the great race, Hulman replied "I don't know. That's why we run the damn thing."

Mealy-mouthed

■ Will Sir Terence Conran's upmarket eaterie, Quaglino's, be knocked out of its highly successful

'It's the wishbone of a dove'

orbit by the upstart Planet Hollywood?

Robert Earl, the 41-year-old burger-master behind the star-studded new arrival, cites Quaglino's estimated £12m annual turnover as a target he plans to beat by at least £3m. But 61-year-old Sir Terence remains relaxed: "Judging by this week's bookings, the stars who have come to open Planet Hollywood will come to sit down and eat at Quaglino's"....if they can get a table that is.

Conquering Earl

■ Still on the subject of Earls, Observer doffs his hat to Peter Earl, the 38-year-old merchant banker who helped put Rebecca Stephens on top of the world yesterday. Until now Earl has been better known for organising some of the City's more memorable takeover jaunts than for his extramural activities.

However, as joint leader of the 40th anniversary Everest expedition he has set an example which other gung ho corporate finance types might want to ponder. His assistant tells me that Earl will be back at work at the headquarters of his Sloane Corporate Finance boutique first thing on Monday morning.

End of the line

■ *The government's handling* of its own insolvency statistics becomes more and more bizarre. It has already contracted out publication of the embarrassing figures on corporate and personal failures to the British Chambers of Commerce. *Now it seems to have* severed all links with the data by not even issuing a release that they are available. First warning that the latest figures were out came via a press release offering reaction from the ever-more responsive body of the UK's remaining growth industry: the Society of Practitioners of Insolvency.

Utilities' futility

■ *Labour's "vested interests"* campaign highlighting links between the Conservative party and business has hit a snag. The voters to whom the campaign is supposed to speak apparently talk in a rather different language than shadow chancellor Gordon Brown.

For starters, "privatised utilities" is reckoned to be a pretty mind-bending formulation, giving rise to 101 differing interpretations. The party's research has also belatedly indicated that the public ain't too clear on the meaning of a vested interest.

While the utilities have simply been banished from the lexicon, officials are still puzzling over how to divest the vested interest of its linguistic obfuscatory powers....

Liquid assets

■ Surely something wrong with the City of London's sense of values? Of the 293 Square Mile banking jobs listed by Day Associates' latest pay survey, only three carry average salaries of less *than £10,000 whereas 13 are above* the £100,000 mark.

There's no prize for guessing that the best rewarded is the big branch general manager, averaging £161,506 in salary which is typically boosted by bonuses to £192,518. But who, apart from newly recruited school leavers, d'you suppose is at the other end of the scale?

The tea lady with an average salary of £9,450 plus a measly bonus of £160.65. That rates a general *manager as worth more than 20* tea ladies whereas, measured by their respective effects on staff morale, the ratio is more probably the other way round.

FINANCIAL TIMES
Tuesday May 18 1993

Results of EC-wide poll show fall in support for integration

By David Gardner in Brussels

AN European Community-wide poll showing a fall in support for European integration has been withheld by the European Commission until after today's referendum in Denmark on the Maastricht treaty.

Senior Commission officials say the Eurobarometer poll, carried out by independent national market research organisations under the aegis of the Commission, shows a sharp drop in support for European unification in Spain, Portugal and Greece, which until recently were four-square behind the Community and Maastricht.

The survey took place before last week's latest devaluation of the Spanish peseta and Portuguese escudo. But a similar survey last autumn, just before the crisis in the exchange rate mechanism for EC currencies, triggered strongly negative reactions in the UK, Italy, Spain, Portugal and Ireland – all of whose currencies ended up either having to devalue or float.

Three senior Commission officials confirm that Brussels decided to hold back the latest Eurobarometer survey until the Danish referendum is over, even though all recent opinion polls in Denmark point to a vote in favour of the Maastricht treaty. Formally Commission officials in charge of the poll say that although the results are ready, publication has been held up until May 25 by procedural delays.

Officials who approve the interpretation of the results were only due to get the figures last night.

The survey results this time last year were released on May 15. In 1991, in the run-up to the Maastricht treaty, the spring survey emerged on May 2, brimming with Euro-enthusiasm.

In spring 1991, 80 per cent of those polled supported "efforts being made to unify western Europe", with only 11 per cent against. A year later, in the wake of the Maastricht summit, the majority was still 76 to 16 per cent.

Even by last autumn, the last published Eurobarometer poll in the wake of the crisis unleashed by Denmark's rejection of Maastricht, 73 per cent still favoured unification with 19 per cent opposed.

Last autumn's poll, nevertheless, showed more equivocation about Maastricht itself. There were absolute majorities for the treaty in only six countries; relative majorities (excluding the "don't knows") in four; and majorities against in the UK and Denmark, the two countries holding up ratification. In Spain and Portugal, however, half those polled were undecided.

A spokeswoman for the Commission said last night that the new Eurobarometer would show that "globally, attitudes are not [now] very different from last autumn".

US and Russia to consult on Bosnian peace process

By Robert Mauthner in London and Laura Silber in Belgrade

THE US and Russia have been spurred on to breathe new life into the peace process by the Bosnian Serbs expected rejection, in a referendum, of the international plan to bring an end to the Bosnian conflict.

Mr Warren Christopher, the US secretary of state, said yesterday the way had been cleared for new discussions between the US and its allies, "some of whom have been wanting to hold up until after the referendum".

Though the results of the referendum are not expected to be made public until tomorrow, Mr Christopher appeared to take it for granted that an overwhelming majority would reject the Vance-Owen plan.

He added that he had never attached much weight to the referendum, which has been dismissed by most of the world as a travesty of democracy.

Mr Christopher said the consultations between the US and its allies would take place by telephone over the next few days and indicated that he had no plans to undertake another European tour like that of two weeks ago.

Bosnian Serb army chief Ratko Mladic: threat to bomb London

The consultations will be taking place at roughly the same time as a peace mission by Mr Andrei Kozyrev, the Russian foreign minister, who is due to meet the Croatian, Bosnian and Serbian leaders today in Split and in Belgrade. The meeting follows that of Mr Kozyrev and Mr Klaus Kinkel, the German foreign minister, in Berlin last night.

The international mediators, Lord Owen and Mr Thorvald Stoltenberg, will also fly to the former Yugoslavia today for talks with the Croatian and Bosnian presidents, Mr Franjo Tudjman and Mr Alija Izetbegovic. The venue has yet to be decided but it is also expected to be Split.

Mr Vitaly Churkin, Russia's special envoy to the peace talks, was more optimistic than his Western counterparts about the Bosnian situation, when he announced Mr Kozyrev's mission in Moscow yesterday.

"It is our view that there are not so many hardliners among the Bosnian Serbs and they will be further isolated," he said. He added that Serbia's "very clear stand" for a peaceful political settlement and its blockade of supplies, except for food and medicine, to the Bosnian Serbs, would change their minds about the peace plan.

Mr Churkin repeated Moscow's proposal that the Vance-Owen plan should be implemented by the international community in stages, irrespective of the outcome of the referendum.

Mr Radovan Karadzic, the Bosnian Serb leader, yesterday apologised for his army chief, General Ratko Mladic, who threatened to bomb western cities, particularly London, if the West intervened in Bosnia. "That was an irresponsible and emotional reaction," Mr Karadzic said in a TV interview.

The British Foreign Office, which dismissed General Mladic's remarks as "bombast and bluster," said it was government policy never to give in to acts of terrorism.

In eastern Bosnia, Bosnian Serb forces fired on Moslems searching for relief packages, dropped on Srebrenica, which has been declared a UN safe area.

Gen Mladic has banned the passage of overland relief convoys to Srebrenica and Zepa, another UN safe area, in spite of repeated pledges to allow the free movement of relief convoys.

Nadir was not made bankrupt in Turkey

By John Murray Brown in Ankara and Andrew Jack in London

MR ASIL NADIR, former head of Polly Peck International, has not been made bankrupt in Turkey and so is legally free to own and run businesses in the country, it emerged yesterday.

While a £378m ($582m) writ brought against him in October 1991 by the administrators to Polly Peck drove him into bankruptcy in the UK, no similar action has been taken through the Turkish courts.

Mr Nadir's legal status may cause difficulties for Polly Peck's administrators. Two weeks ago, he fled to northern Cyprus from Britain, where he faces theft and false accounting charges, and declared his intention to reclaim parts of his business empire.

Mr Neil Cooper, Mr Nadir's court-appointed trustee in bankruptcy, confirmed that he had not sought to file for bankruptcy in the Turkish courts but said this would have little effect on attempts to recover and control assets.

Lawyers say the charges Mr Nadir faces in the UK may dissuade him from travelling to Turkey, where he could face possible extradition.

Turkish banking law states that no one who has suffered bankruptcy can establish a bank, although again it is unclear whether this applies to bankruptcy outside Turkey.

Polly Peck's local companies, although owned by foreign parties, are subject to Turkish bankruptcy proceedings.

Of the Turkish companies connected with Mr Nadir, only Noble Air, the airline owned by his sister Mrs Bilge Nevzat, has been declared insolvent by the Turkish courts. A number of Turkish creditors including Imar Bank, owned by the Uzan family, failed in their pursuit of claims against Mr Nadir's personal assets.

THE LEX COLUMN

US West calls Time

As is usually the case with those who have debt worries, Time Warner's decision to part with some of its most valuable jewels is a sign of weakness rather than strength. The company's new chairman, Mr Gerald Levin, has recently made strenuous efforts to tackle the $10bn debt pile he inherited from the 1989 merger of the two companies. He also wants to invest in fibre-optic networks which will revolutionise the transmission of information. With Time Warner's balance sheet stretched, he cannot afford to do both out of operating cash flow alone. Hence the sale of 25 per cent of Time Warner Entertainment to the regional telephone company US West for $2.5bn.

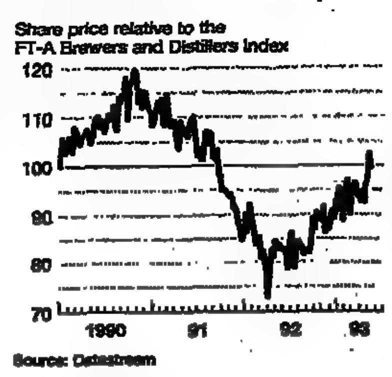
The $1bn of equity which will flow into the entertainment business will help fund the $5bn, five-year investment programme in fibre-optic networks. Time Warner has made the Faustian bargain because it gives it a head start on the competition and Time would find it difficult to raise equity through the stock market at the kind of price US West is paying. Time also argues that it is acquiring experience in handling advanced switching technology from US West. It is at least arguable, however, that it could have bought that expertise without ceding such a large equity stake. US West, meanwhile, gains a share of the database which will be the cornerstone of the network's profitability.

When fully optical networks are operating, the price of data transmission will fall dramatically. Profits will then come predominantly from the value-added services that can be sold through the wires, such as high-speed computing, video telecoms, information and entertainment. Time Warner may come to wish it had been able to pawn, rather than sell, those jewels.

FT-SE Index: 2858.1 (+11.1)

Whitbread

Share price relative to the FT-A Brewers and Distillers Index



Source: Datastream

Whitbread

Whitbread is starting to look more like a retailer than a brewer. Its answer to the challenge from volume brewers like Bass is to walk away from the battle for market share. Instead, it is now pushing its brand values, its strengths in the off-trade, and, above all, food where its turnover is beaten in the UK only by McDonalds. That looks a sensible approach. With a share of only 13.5 per cent of the UK beer market, Whitbread could hardly expect to win any battles based on volume. Instead of chasing low margin business in the free on-trade it is almost certainly better off concentrating on food where margins are higher and the gearing to recovery greater.

Some risks remain. Whitbread will be at a disadvantage over brewers which can manage greater economies of scale. It must also resist pressures from supermarkets on its margins. The chances are that the sluggish beer market will continue to hold back growth this year, but its approach may still give it an edge over other brewers. Indeed the strategic question may eventually become one of the extent to which it should remain in brewing at all.

Doubtless the arrival of Sir Michael Angus as chairman has helped focus Whitbread's thoughts. He also appears to have homed in on a financial weakness: poor cash generation. Last year's improvement reflected reduced spending on plant, property and acquisitions and there will be a smaller inflow from pub sales from now on. That should not matter much for a company with such modest gearing, but Whitbread's restrictive share structure precludes rights issues. It has to play safer on debt than others.

M&G Group

Investors who bought M&G's shares as a geared investment in the UK stock market had their faith rewarded by its half-year performance. A 28 per cent increase in funds under management represented an impressive performance when matched against the 16 per cent rise in the London market over the same period. The virtues of the group's old fashioned emphasis on high-yielding income and recovery stocks became apparent as the UK began to emerge from recession. Its recovery fund recorded a 34 per cent rise in value following a resurgence of interest in industrial companies.

The unsettling aspect of M&G's results, however, was the disappointing level of net unit trust sales at just £4m. Overall, unit trust sales grew by 47 per cent but redemptions were also sharply higher. There has recently been high turnover in the unit trust industry as a whole. It may simply be that, with equities finally recovering their historic highs, some investors are cashing in their chips. But even though the trend is improving, M&G is sufficiently concerned to start researching the phenomenon.

Such worries may dampen the surge in M&G's shares, which have outperformed the market by 16 per cent since the start of the year. Sentiment may be further damaged by the Office of Fair Trading's proposals requiring independent financial advisers to reveal commission payments. This may not help M&G, which is heavily reliant on this distribution channel.

Denmark

There will be a lot of red faces in financial markets, and probably some red ink as well, if Danish voters reject the Maastricht treaty in today's referendum. In theory a Yes vote would be a tonic for bond markets on the edges of Europe's inner monetary core. With the Maastricht treaty back on the rails there should be nothing to stop their yields converging with those in Germany. With the exception of the Danish market itself, though, much of this has already been anticipated. Ten-year French yields, for example, are only around 35 basis points higher than those in Germany. Since a Yes vote would allow Denmark to reduce its artificially high short-term interest rates, there should be room for strong gains in short Danish bonds, which currently yield around a full point more than their German equivalent.

The more awkward question concerns the impact on the German bond market. A Yes vote in Denmark would finally deprive the D-Mark of pretension to safe haven status. The German bond market would thus, once again, have to be judged on its fundamentals. These include a relatively high inflation rate, a large budget deficit which has resisted control, as well as a deepening recession accompanied by cuts in short-term rates and a weaker currency. That is no recipe for falling long-term yields.

Salinas in independence move for Mexico's central bank

By Damian Fraser in Mexico City

PRESIDENT Carlos Salinas of Mexico has sent Congress a constitutional amendment to make the country's central bank independent and give it a mandate to preserve price stability.

The amendment is set to be passed by the government-controlled Congress, and is intended to institutionalise a commitment to low inflation beyond Mr Salinas's term of office, which ends next year. While inflation is now down to 10.4 per cent, in the mid-1980s it peaked at an annual rate of 157 per cent.

"This is a way of anchoring the current monetary policies that have worked so well in reducing inflation and ensuring the central bank is not subject to changes in the political mood," said a government official. "It's going to have an important long-term effect on monetary policy".

Under the constitutional amendment, the head and other board members of the central bank would be chosen for a fixed term by the president and approved by the Senate. The officials can only be removed in the case of a serious breach of duty, and will be selected on a staggered basis, ensuring that one president cannot pack the bank with his nominees.

The bank will be given an explicit mandate to "preserve the purchasing power of the national currency" and given full control over the management of its credit. In the 1980s the Mexican government borrowed from the central bank at favourable terms, helping to fuel inflation. "The possibility of the government forcing the central bank to grant financing will be cancelled," said the president's office.

However, it is still not clear what control the central bank will have over monetary policy and interest rates in its pursuit of low inflation. In a country where presidents are used to exercising untrammelled power, it is uncertain how much effective independence the central bank will be allowed if a conflict arises with the government.

The president's office said central bank independence would act as a counterweight to government agencies intent on pursuing policies that cause inflation. It would also persuade the private sector that increases in costs or prices will not be accommodated by a loose monetary policy.

The amendment parallels other initiatives taken by Mr Salinas intended to lock in his economic reforms beyond the life of his administration. It may strengthen the argument that current market-oriented economic policies are "irreversible" and thus reduce uncertainty associated with the North American Free Trade Agreement, involving Mexico, the US and Canada, which is still being negotiated.

IG Metall head in shares row

Continued from Page 1

week's issue of Stern, Mr Steinkühler bought 2,100 MAH shares between March 18 and April 1 this year, for almost DM1m. Half the total was bought on April 1, the very day he was attending a supervisory board meeting of Daimler-Benz.

MAH was a special holding company established in 1975 to prevent the Shah of Iran from acquiring a big stake in Daimler, Germany's largest company. Its sole function is to hold a 25.23 per cent stake in Daimler.

An attempt by shareholder activists in January to have the holding company dissolved was defeated by an overwhelming majority of institutional shareholders.

However on April 2, the Daimler supervisory board agreed to the move, linking the decision to the company's plans to seek a full listing of its shares on the New York stock exchange.

In late trading after the announcement, the shares leapt DM84.50 to DM575.

World Weather

City		°C	°F	City		°C	°F	City		°C	°F	City		°C	°F	City		°C	°F	City		°C	°F
				Boulogne	F	22	72	Frankfurt	S	22	72	Majorca	S	25	77	Oporto	F	19	66	Tenerife	F	23	73
				Brussels	S	23	73	Geneva	S	21	70	Malaga	S	22	72	Oslo	F	15	59	Tokyo	F	20	68
				Budapest	F	23	73	Gibraltar	S	21	70	Malta	S	23	73	Paris	S	23	73	Toronto †	F	6	43
Ajaccio	S	22	72	Buenos Aires	F	17	62	Glasgow	R	15	59	Manila	F	36	97	Prague	S	19	66	Tunis	S	24	75
Algiers	S	27	81	Cairo	S	30	86	Helsinki	S	20	68	Melbourne		-	-	Reykjavik	F	6	43	Valencia	F	23	73
Amsterdam	S	22	72	Cape Town		-	-	Hong Kong	C	29	84	Mexico City	C	25	77	Rhodes	S	21	70	Venice	S	24	75
Athens	C	19	66	Caracas	F	29	84	Innsbruck	S	25	77	Miami †	S	25	77	Rio d'Janeiro	R	22	72	Vienna	S	21	70
Bahrain		-	-	Casablanca †	S	24	75	Inverness	R	9	48	Milan	F	24	75	Rome	S	23	73	Warsaw	F	18	64
Bangkok	C	32	90	Chicago †	S	9	48	Islamabad	F	34	93	Montreal †	S	8	46	Salzburg	S	23	73	Washington †	S	16	61
Barcelona	S	19	66	Cologne	S	22	72	Istanbul	S	19	66	Moscow	F	24	75	S'Francisco †	F	12	54	Zurich	S	22	72
Beijing	S	29	84	Copenhagen	S	17	63	Jakarta	R	33	91	Munich	S	22	72	Seoul	C	15	59				
Beirut		-	-	Corfu	S	22	72	Johannesburg		-	-	Nairobi	R	23	73	Singapore		-	-				
Belfast	R	13	55	Dallas †	S	20	68	Lisbon	C	18	64	Naples	F	23	73	Stockholm	S	18	64				
Belgrade	C	21	70	Dublin	R	13	55	London	F	20	68	Nassau	C	32	89	Strasbourg	S	23	73				
Berlin	S	20	68	Dubrovnik	S	22	72	Los Angeles †	C	17	63	New Delhi	C	33	91	Sydney	S	18	64				
Bermuda	S	21	70	Edinburgh	R	16	61	Luxembourg	S	21	70	New York †	S	13	55	Taipei	F	30	86				
Bombay	F	32	90	Faro	F	19	66	Madeira	F	20	68	Nice	S	20	68	Tangier	S	24	75				
Bordeaux	F	24	75	Florence	S	25	77	Madrid	S	23	73	Nicosia	F	21	70	Tel Aviv	C	25	77				

Temperatures at midday yesterday
† Noon GMT temperatures
C-Cloudy Dr-Drizzle
F-Fair Fg-Fog H-Hail
R-Rain S-Sunny
Sl-Sleet Sn-Snow
T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday May 18 1993

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 14.4, according to IBES, the consensus estimates service (last week: 14.3). This compares with an IBES estimated p/e for the "500" of 18.6 (18.3) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 18.56 (17.70).

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Linotype-Hell	444	+	11.5
Varta	275	+	9.5
Falls			
GEHE	370	–	13
Lahmeyer	600	–	30
Metallgesellschaft	308.1	–	11.4
PWA	157	–	4

NEW YORK ($)

Rises			
Merck	38¼	+	1
Time Warner	35	+	1⅛
Falls			
AMR	65¾	–	1¾
Delta	58⅛	–	1¼
Kmart	22¼	–	⅜
Rank Xerox	72	–	3⅛

PARIS (FFr)

Rises			
BNP Cert Inv	548	+	17
Pernod Ricard	397.4	+	28.8
Falls			
BIC	1014	–	46
Cap Gemini S	167.3	–	5.8
Chargeurs	1014	–	86
Worms Cie	250	–	9.8

TOKYO (Yen)

Rises			
Ishizuka Glass	660	+	93
Hohsen Foods	887	+	34
Marudai Food	938	+	36
Npn Sheet Glss	507	+	29
Seacom	476	+	48
Falls			
Hitachi Credit	1610	–	80

New York prices at 12:30.

LONDON (Pence)

Rises			
Aerospace Eng	24½	+	4½
Banner Homes	70	+	10
Berry Birch	170	+	9
[illegible]	38	+	7
Birkdale	22	+	7
Brit Syphon	128	+	8
Compass	525	+	19
Diploma	484	+	14
French Cnnectn	56	+	5
Ladbroke	177	+	8
Monarch Res	171	+	19
Prowting	137	+	9
Raines	35½	+	3
Rea	32	+	7
SEP Ind	28½	+	5
Sleepy Kids	30	+	4
SmKl Beecham A	481	+	15
Tottenham Hspr	103	+	14
Warburg (SG)	701	+	28
World Leather	58	+	8
Falls			
BM Group	20	–	4½
Laser-Scan	40	–	16
Pharmacrft	273	–	16
Tadpole Tech	287	–	20

GE Capital may control GPA for less than $300m

By Roland Rudd in London

GE CAPITAL may be able to exercise its option to take control of GPA Group for less than $300m, according to lenders of the troubled aircraft leasing company.

GPA yesterday made the first payments due to bondholders after it received $100m in the form of a bridging loan from its core lenders.

The group's board, which met yesterday, is also confident that shareholders will raise an additional $150m enabling it to make further payments to bondholders due by the end of June.

The group still has to agree the price of the option allowing GE Capital to take 65 per cent of its equity, with the possibility of purchasing 80 per cent if certain conditions are fulfilled.

Several of the group's lead bankers yesterday said that negotiations are currently being conducted within a price range of $200m to $300m.

GPA would not comment. However, one of its advisers said the company believed GE Capital could be persuaded to pay more for a controlling stake.

The final figure will not be paid until GE Capital exercises its option, which under the terms of the deal could be as late as March 31, 1997.

GPA's lenders remain confident that the terms of the deal will be ratified by the group's shareholders, many of whom have already written off their investment in the company.

GE Capital is not expected to exercise its option in the short-term. GPA's bankers believe its agreement to purchase 45 aircraft for $1.35bn may be enough to guarantee its survival for up to 18 months.

Up to $350m of the total amount GPA is receiving for the aircraft is in the form of progress payments or deposits that it forwarded to manufacturers when ordering the aeroplanes.

If the deal with GE Capital goes ahead, this will now be repaid to GPA, bolstering its balance sheet.

The group's banks have made it clear that they will not consider writing off any of their borrowings in the immediate future.

One of GPA's lead bankers said: "Any attempt to make the banks take a haircut would jeopardise the whole deal."

GPA's 138 lenders may agree to a further restructuring of the group's $5.23bn borrowings if the deal with GE Capital is completed.

K mart quarterly plunge in profits surprises analysts

By Karen Zagor in New York

ANALYSTS scrambled to cut their full-year earnings estimates for K mart yesterday morning after the US retail group surprised Wall Street with a 57.1 per cent fall in underlying profits for the first quarter of 1993 in spite of a 9.2 per cent rise in sales.

Although the company, which operates around 2,400 discount stores and several chains of specialist stores, had previously warned investors to expect a shortfall in first-quarter earnings, the erosion was worse than most analysts had expected.

The company blamed severe weather in March for its disappointing performance. Mr Joseph Antonini, chairman and chief executive, said consumers have responded well to the company's spring and summer merchandise, suggesting "that the unsatisfactory results in the first quarter were largely weather-related".

Stripping out extraordinary items and the effects of accounting changes, the underlying net profits for the quarter fell to $50m, or 11 cents a share on sales of $9.03bn from $116m on sales of $8.27bn a year earlier.

K mart had a one-off charge of $10m. Accounting changes reduced earnings by an additional $17m, bringing first-quarter net income to $23m, or 5 cents a share.

Mr Wayne Hood, an analyst at Prudential Securities, had expected K mart to earn about 20 cents a share in the quarter. He was surprised by the $24m operating loss at K mart's Pace warehouse club chain and by the slim operating earnings of $1m at K mart's Builders Square unit. A year earlier, Pace broke even and Builders Square had operating earnings of $15m.

K mart's gross margin slipped to 23.6 per cent of sales, compared with 24.4 per cent, reflecting "a sales mix skewed towards lower-margined items in the US". Sales of higher margin clothing and horticulture products were hurt by the unusually cold weather in the first quarter.

Mr Antonini said sales trends had improved significantly in the first half of May, especially in key markets in the east, mid-west and south of the US which "encourages us with respect to the remainder of the year".

He added: "Going forward, our business will be influenced importantly by the strength in consumer spending and weather patterns which, hopefully, will be more seasonable than in the first quarter."

Rhône-Poulenc has sharp quarterly fall but predicts upturn

By Paul Abrahams in London

RHONE-POULENC, which is expected to be privatised shortly by the French government, yesterday reported operating profits down 19.3 per cent from FFr2.162bn ($385m) to FFr1.7bn for the first quarter.

The poor state of European economies was demonstrated by falling volumes and prices in the chemicals and fibres divisions. The group suffered a 7.9 per cent fall in turnover from FFr21.5bn to FFr19.8bn.

Excluding exchange rates, the fall was 4.7 per cent. Turnover was also affected by last year's European Community common agricultural policy reforms.

The company warned that operating income during the first half of the year was likely to remain weak due to sluggish economic conditions.

However, it predicted that improvements from the health and agrochemicals divisions should contribute to operating income gains during the second six months. The situation facing fibres and chemicals would continue to be difficult, it added.

Operating profits at the organic and inorganic intermediates division fell from FFr264m to zero, on sales down 16.8 per cent at FFr3.572bn. The speciality chemicals posted trading profits down 25 per cent from FFr196m to FFr147m on turnover down 15.5 per cent at FFr3.347bn.

Trading results at the fibres division also fell, this time 78 per cent from FFr232m to FFr51m on turnover down 19.2 per cent at FFr2.871bn. Agrochemicals operating profits fell 22.6 per cent from FFr625m to FFr484m on turnover down 11.9 per cent at FFr2.86bn. About 53 per cent of its turnover is in Europe.

Operating profits at the health division, which includes the entire contribution of Rhône-Poulenc Rorer, its 68.7 per cent owned subsidiary, increased 25.8 per cent from FFr1.015bn to FFr1.277bn. Turnover increased 8.4 per cent.

Financial charges fell 12 per cent, while gains on sales – mainly the divestment of Potasses et Produits Chimiques – were FFr244m compared with FFr36m during the first three months last year. Net earnings per share rose from FFr10.53 to FFr10.74.

Nikki Tait on increased co-operation between two US industries

US West finds cable role in deal with Time Warner

THE announcement that US West, one of the seven US regional telephone companies resulting from the break-up of AT&T, will invest $2.5bn in Time Warner Entertainment, part of Time Warner, the giant media and entertainment conglomerate, marks an important step in the fast-evolving relationship between the US telecommunications and cable industries, writes Nikki Tait in New York.

To date, that relationship has largely been one of confrontation – a battle over who will bring communications into American homes over the coming decade. Now, it seems, co-operation may be the order of the day.

At a financial level, the deal is complex. Essentially, US West will put up $1.5bn when the deal closes, hopefully later this year. The remainder will be supplied over a four-year period. This investment will give US West a 25.5 per cent interest in Time Warner Entertainment, the company's filmed entertainment, programming and cable arm.

Time Warner will continue to own 63.27 per cent of TWE, and have operating control of much of the division. Remaining equity will be split between Itochu Corporation (previously C. Itoh) and Toshiba, existing partners in TWE.

But the relationship between Time Warner and US West is expected to run a good deal deeper than this. Out of US West's total investment, $1bn will be devoted to developing Time Warner's planned "full service networks". This is the highly-ambitious interactive cable-based home entertainment and communications network, which the company outlined in detail earlier this year.

Top five multiple system operators

Basic Subscribers (1992)

1	Tele-Communications Inc	8,900,000
2	Time Warner Cable	6,820,980
3	Continental Cablevision	2,855,000
4	Cablevision Systems	1,979,209
5	Comcast	1,970,000

Source: Cable Television Advertising Bureau

At present, Time Warner's plans for the full-service network centre on Orlando, Florida, where it hopes to start demonstrating the system by the end of 1993, and then make it available to residential customers by 1994. Using more sophisticated technology than the traditional coaxial cable systems, the full-service networks promise customers a vastly-increased range of services – including the ability to call up movies on demand, conduct interactive games, full-motion shopping, access to distance learning, and so on. Over a five-year period, Time Warner hopes to extend the networks to about 25 US metropolitan areas.

All this is costly. According to one senior Time Warner executive yesterday, the company's capital expenditure on cable is currently about $400m a year. In the five years between 1994 and 1998, it is expected to average about $800m annually – and most of the money will go on the full-service networks development. US West's $1bn will be welcome.

But US West will also play a big operational role in the partnership. The full-service networks venture will be run jointly and involve employees from both groups.

TWE's full-service networks, however, will not venture into US West's territory, which stretches from Denver, its home town, up to Seattle in the north-west; indeed, Time Warner will shed its modest cable operations in US West's 14-state telephone service area. This a recognition of the restrictions which still limit Baby Bells' forays into US cable. At present, telephone companies are barred by Federal law from owning cable TV systems in the markets in which they provide a telephone service.

Nevertheless, in formidable fashion, yesterday's deal emphasises the determination of US telephone companies to carve a large role in cable's future. It comes only two months after Southwestern Bell agreed to buy two cable TV systems in suburban Washington for $650m from the privately-owned Hauser Communications, a deal which must still secure regulatory approval.

That was the first attempt by any US telephone company to acquire a US cable TV group, although Southwestern Bell owns and operates a system in Britain, and spurred speculation that it could set off a scramble by other telecommunications companies.

Lex, Page 16

BT opens door on home entertainment

BT's bid to enter the satellite dish market announced last week is more unwelcome news for Mr Alan Sugar's Amstrad, the leading UK supplier. But it is a side show in a far larger game: whether, and if so when and how, Britain's telecoms giant is allowed to break into the home entertainment market using its fixed network.

BT is straining at the leash. Its government licence forbids it from providing "entertainment services". The ban, imposed in the 1991 telecommunications white paper to allow the fledgling cable TV companies to establish themselves, is due to remain until 2001, and may continue even thereafter.

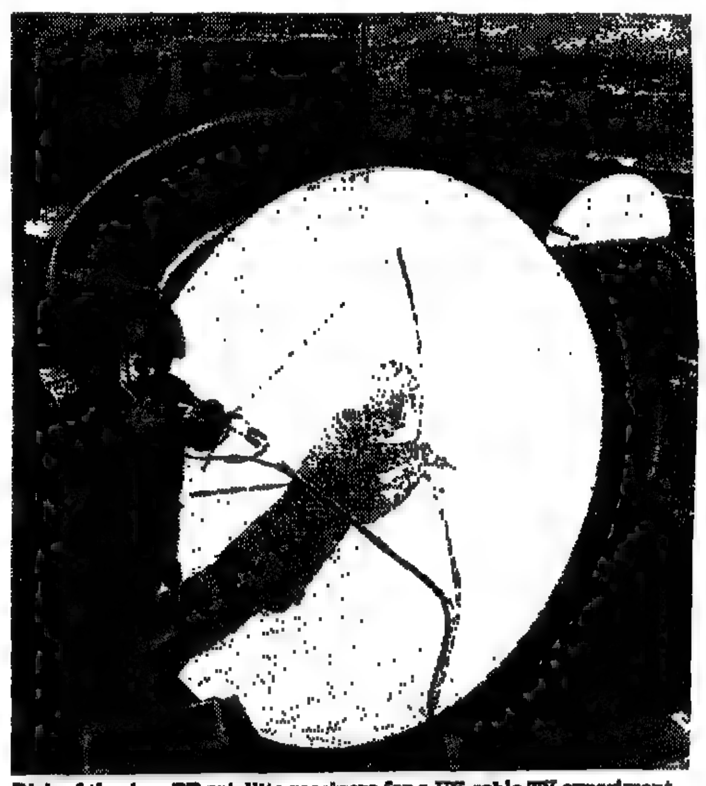
"We cannot understand why the government should go to such enormous lengths to protect some foreign-owned cable companies," says Mr Alan Rudge, BT's director of development and procurement. "We are being held back in a dying technology longer than we would like. We see fibre as the technology of the future; copper is the past."

BT condemns the ban as nonsensical and a threat to its long-term competitive position, since the latest optical fibre technology makes it feasible and – in its view – affordable to lay advanced optical fibre taking TV, telephone and data services right into the home.

With only about 3.2m UK homes able to receive satellite TV, there is plenty of room to expand the existing dish market for BSkyB's broadcasts. With a foot in the home entertainment door, BT would be in a stronger position to exploit the market through fibre.

It may not have to wait until 2001. Oftel, the industry regulator, is empowered to ask the government to lift the ban in five years' time. Also, the meaning of "entertainment services" in the 1991 white paper is unclear. BT argues that it does not extend to on-line video services – two-way communication between the viewer and broadcaster; the cable companies are adamant it does; Oftel says it is a "grey area".

There is "a good possibility", says Mr Rudge, that BT will soon approach Oftel about providing an on-line video service. It could use its existing copper wires, but the new market would spur BT to extend its fibre network.



Dish of the day: BT satellite receivers for a UK cable TV experiment

Lower krona lifts Atlas Copco 10% to SKr315m

By Christopher Brown-Humes in Stockholm

ATLAS COPCO, the Swedish tool manufacturing group, increased profits after financial items by 10 per cent in the first three months to SKr315m ($42.9m) from SKr286m in the same period last year.

The group said it benefited from the lower value of the krona, which offset a substantial drop in volumes. Sales rose 12 per cent to SKr4.29bn from SKr3.83bn, while orders were 5 per cent higher at SKr4.62bn.

Operating earnings after depreciation fell 13 per cent to SKr285m, reflecting the drop in volumes, the group said. "Demand in Europe continued to decrease during the first quarter due to the overall weakened economy, particularly in Germany, Italy and Spain. Rising demand in Great Britain and North America did not compensate," it stated.

The group's main division, compressor technology, saw operating profits slump to SKr202m from SKr261m, although sales rose to SKr1.96bn from SKr1.78bn.

Profits in construction and mining technology fell to SKr38m from SKr46m, but industrial technology improved to SKr78m from SKr41m on the back of cost-cutting.

The lower overall operating performance was offset by a sharp drop in interest expenses and a positive impact from exchange rate movements.

The group is sticking to its forecast of improved earnings for 1993.

However, the weak sales trend is expected to continue, especially in Europe.

Pébereau to head BNP in run-up to sell-off by state

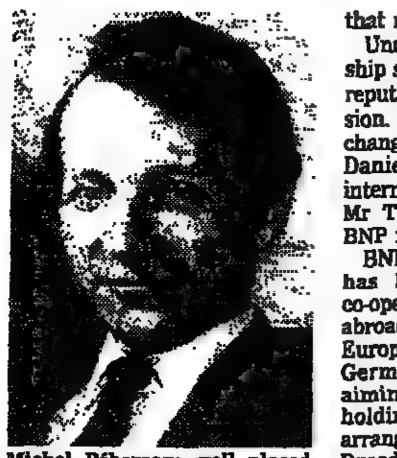
By David Buchan in Paris

MR Michel Pébereau, chairman of the French bank Crédit Commercial de France (CCF), is to become the head of Banque Nationale de Paris (BNP), the state-controlled institution earmarked for privatisation later this year.

The appointment of Mr Pébereau, who succeeds Mr René Thomas at the helm of France's third largest bank, is the first leadership change at a state-owned enterprise since the new government won power seven weeks ago, pledging a sell-off of state assets to liberalise the economy and to help plug the budget deficit.

However, the change of leadership at BNP, announced yesterday, bears little resemblance to the politically-motivated personnel changes which occurred when power last alternated between left and right in the 1980s. Mr Thomas, aged 64 and not in the best of health, had indicated he wanted to retire last year, but the then Socialist government was unable to agree on a successor.

The 51-year-old Mr Pébereau is well placed to take BNP into the private sector, since he did the same with Crédit Commercial de France (CCF) very successfully in 1987. CCF, where



Michel Pébereau: well placed to take BNP into private sector

Mr Charles de Croisset, one of two managing directors, is tipped to be named later today to succeed Mr Pébereau, has done very well since privatisation. It was one of the very few French banks to announce a rise in profit last year, up 7.6 per cent to FFr978m ($181m).

By contrast, BNP announced a 26 per cent drop in profit last year to FFr2.17bn. But this was far better than the 1992 performance turned in by Crédit Lyonnais, France's other big state-owned bank, which recorded a FFr1.85bn loss, and thus still puts BNP in the forefront of institutions that may be privatised.

Under Mr Thomas' stewardship since 1982, BNP has had a reputation for cautious expansion. This is not expected to change dramatically since Mr Daniel Lebègue, one of the internal candidates to succeed Mr Thomas, is staying on as BNP managing director.

BNP's main foreign venture has been an agreement to co-operate with Dresdner Bank abroad, particularly in eastern Europe, with the French and Germans banks eventually aiming to take 10 per cent holdings in each other. This arrangement was endorsed by Dresdner shareholders last week. BNP shareholders – the French state which holds 72.9 per cent, UAP, the state-owned insurance company which holds 10 per cent and private shareholders who have 17.1 per cent of the bank's equity – are expected to endorse the Dresdner deal at their annual meeting later today.

But BNP privatisation may be too much for the depressed Paris bourse to digest at once. At its current share price, BNP, with a FFr1,429bn balance sheet at end-1991, is valued at more than FFr40bn. When the Conservatives were last in power in the mid-1980s, their biggest single sell-off was Société Générale for FFr18bn.

Whitbread lifted by strong food operations

By Paul Taylor in London

WHITBREAD, the UK brewing and retailing group, managed to increase full-year pre-tax profits by 13 per cent due to a strong performance from the group's branded restaurants and pub food operations.

Pre-tax profits increased to £251.2m ($386.8m) in the year to February 27 from £222.1m in the same period last year when profits were reduced by a £37m exceptional charge to cover unusually high bad debts among the group's free trade loans.

Trading profits increased by 2 per cent to £232.6m on turnover which grew by 7 per cent to £2.35bn. Net interest payments increased to £42.2m from £34.8m.

The group recorded an extraordinary charge of £13.9m to cover the net loss on disposals of businesses, investments and industrial properties.

Earnings per share increased to 39.44p from 35.78p and a final dividend of 13p, against 12.4p a year earlier, lifts the full-year payment about 5 per cent to 17.75p.

As expected a revaluation of Whitbread's property portfolio led to a write-down of £595m or 22 per cent of book values. Despite the size of the write-down, only £6m was charged to the profit and loss account. The bulk, £576.6m, is regarded as temporary and has therefore been taken from the revaluation reserve. The group's balance sheet remains strong with net borrowings of £399.5m, down from £453.3m last year, equivalent to gearing of 19.3 per cent.

Mr Peter Jarvis, chief executive, said the strongest performance was in Whitbread Inns, the managed pub business, which improved sales, profits and cash flow in the recession.

Profits from the managed retail operations increased by about 13 per cent to £135.7m.

The beer division increased its market share to 13.7 per cent from 13.2 per cent.

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Canny conversion to a new faith

Haig Simonian assesses Silvio Berlusconi's change of heart on listings

THE surprise conversion of Mr Silvio Berlusconi, Italy's media magnate, to the cause of popular share ownership is almost akin to one of the scantily-clad soubrettes on his TV game shows taking holy orders.

Few entrepreneurs have so publicly flaunted their distaste for the stock market and their determination to retain sole stewardship of their companies. Even after winning control in 1991 of the Mondadori publishing group, Mr Berlusconi did nothing to raise his stock market profile.

Mondadori and Standa – Italy's second-biggest retailing group, purchased by Mr Berlusconi's Fininvest holding company in 1988 – are the only listed parts of his empire. In both cases, the listings existed prior to acquisition by Fininvest.

So what explains last week's sudden change of heart, with the decision to list Silvio Berlusconi Editore, a publishing and commercial printing operation, as part of a complex share swap into Mondadori?

The main motive is financial. After its rapid rise in the 1980s and early 1990s, when sales soared with the Standa and Mondadori acquisitions, Fininvest is now in what one group director calls a "consolidation phase".

Although it has emerged relatively unscathed from the recession so far, Fininvest is feeling the strains of growth. Net group borrowings grew to L3,050bn ($2.07bn) at the end of 1992, the latest year for which figures are available. Interest charges amounted to L500bn in 1992. While the group may not be under direct pressure from its bankers to divest, opportunities for further growth via debt-financed acquisitions are starting to look severely restricted.

In essence, the flotation of SBE is linked to an offer to swap SBE shares with those of Mondadori. It will be the preliminary to the placing of a substantial stake in SBE.

Mondadori is Italy's biggest publisher, with a prestigious book list and a stable of leading magazines, including Panorama, Italy's best-selling weekly news magazine. Sales last year rose by 13.9 per cent to L1,600bn, while net profits recovered strongly to L57.1bn from L10.1bn in 1991.

Meanwhile, SBE made net profits of L29.7bn on sales of L320bn in 1992. The company, which has substantial commercial printing activities, is best known as the publisher of TV Sorrisi e Canzoni, Italy's biggest-selling magazine.

Shareholders in Mondadori will be able to exchange one ordinary share for one share in SBE. The ratio for holders of non-voting savings stock will be four Mondadori shares for three in SBE.

Fininvest already owns almost 70 per cent of Mondadori's ordinary shares and about 80 per cent of the savings stock, which will be swapped into SBE equity. A further 20 per cent of Mondadori's ordinary shares were sold to SBE directly last month.

Outside shareholders in Mondadori have little option but go along with the deal, which values Mondadori ordinary shares at L15,000, against a closing price of L10,825 before last Thursday's stock market suspension. The savings shares are being valued at L11,250 against a pre-suspension close of L6,905.

Berlusconi: financial motives behind decision to list SBE

After the swap, SBE will have about 9 per cent of its shares on the stock market. SBE is then likely to place up to 49 per cent of its total capital in order to raise up to L600bn in fresh funds, based on the offer price for Mondadori shareholders.

The transaction may only be the first sign of a new-found affection for the stock market on Mr Berlusconi's part. Some analysts predict he will eventually list minority stakes in two other parts of his media, retailing and financial services empire, which made net profits of about L60bn on group sales of L11,000bn in 1992.

The first may be RTI, Mr Berlusconi's three highly-successful Italian television channels, packaged together with Fininvest's Videotime film and transmission interests. The second could be Mediolanum, the small insurance group purchased by Fininvest in 1984.

Special reasons could explain the RTI transactions. Trading conditions at RTI, one of the pillars of Mr Berlusconi's financial success, have grown increasingly tough following criticism of its advertising activities.

The principal attacks have focused on RTI's pioneering use of on-screen sponsorship of products on its popular quiz and game shows. The practice has been attacked by competitors and Italy's supervisory authority, which wants to limit the duration of such spots.

The attacks on RTI include a campaign by magazine and newspaper publishers claiming that Fininvest's channels are gaining an unfair slice of the market by undercutting rates. Together, they have put the normally ebullient Mr Berlusconi on the defensive. Taking RTI public via a big flotation could multiply its lobbying power by creating an army of new shareholders.

Mr Berlusconi's seeming conversion to the cause of the stock market may not come from the heart, but he is canny enough for his head to tell him it is the right step in the circumstances.

M&G increases payout by 11%

By Norma Cohen, Investments Correspondent

M&G GROUP, the UK's largest unit and investment trust company, yesterday announced a 14.4 per cent rise in pre-tax profits to £22.8m ($35.1m) for the six months to March 30 and an 11 per cent increase in its interim dividend to 10p.

M&G noted that all areas of its business had increased profitability. The UK's exit from the European exchange rate mechanism provoked a fundamental change in investor confidence, leading to buoyant share prices and renewed interest in the company's principal products, investment and unit trusts. Total funds under management have risen £2.4bn to £10.96bn.

Mr Paddy Linaker, group managing director, expressed concern about the effects proposals from the Office of Fair Trading to require independent financial advisers (IFAs) to disclose commission payments would have on sales.

Separately, M&G is expanding the support services it provides to IFAs to increase market share. Mr Linaker said the company had no plans to start a direct sales force for at least the next two to three years.

However, while unit trust sales were up sharply to £232m from £158m, redemptions were also up sharply, so net sales totalled only £4m. Mr Linaker said the high levels of redemptions were a cause for concern.

Some of the activity may relate to M&G's investment performance which has suffered during the recession because of its bias towards small to mid-sized companies, which have performed poorly.

Sales of life and pensions products declined to £80m from £84m. Mr Linaker said this may reflect concern about investment performance as well as fears among IFAs that M&G no longer viewed them as its leading sales channel.

Lex, Page 16;
Observer, Page 15

Wallenberg group tumbles into the red

By Christopher Brown-Humes

INVESTOR, the Wallenberg family's key holding company, plunged heavily into the red in the first quarter following a worse performance from Saab-Scania, its wholly-owned vehicle and aerospace unit, and a lack of capital gains.

The consolidated loss after financial items amounted to SKr542m ($73.8m), compared with a profit of SKr1.15bn in the same 1992 quarter.

The value of the group's investment portfolio remained virtually unchanged from the year-end at SKr23.2bn – failing to keep pace with the stock market, which rose by 9 per cent over the same period.

Investor said last year's result benefited from SKr1.31bn in capital gains, whereas there had been no share sales in the first three months of 1993.

But it also noted a significant downturn at Saab-Scania and said the company was set to report a loss after financial items in 1993 because of adverse market conditions. Saab-Scania made a loss of SKr92m during the quarter, against a SKr211m profit in the same 1992 period, as sales fell to SKr6.2bn from SKr6.8bn.

Investor said demand for Saab-Scania's main commercial products, trucks and aircraft, had fallen further and was expected to remain weak during the rest of 1993. "We see no recovery this year," said Mr Lars Kylberg, Saab-Scania chief executive.

A particular casualty of the downturn has been Scania Trucks & Buses, where earnings have fallen sharply.

INTERNATIONAL COMPANY NEWS

PC manufacturers launch new-generation range

By Louise Kehoe in San Francisco

A NEW generation of personal computers, based on Intel's new high-performance Pentium microprocessor, were introduced yesterday by several PC manufacturers.

However, short supplies of the chip are likely to limit sales severely. The Pentium chip is Intel's fifth generation of PC microprocessors. The Silicon Valley company dominates the field.

It's 486 microprocessor is the "brains" inside most current PC models. Intel began shipments of Pentium chips to PC-makers in March, but said supplies would be limited in the current quarter.

Intel said Pentium had 3.1m transistors and would be capable of 112m calculations per second, about five times faster than the 486.

Mr Albert Yu, Intel senior vice-president, said yesterday: "The Pentium processor enables a whole new class of systems. We expect initial products to be high-end servers, as corporations downsize applications, and high performance desktops for customers who require increased performance."

Intel expects to ship "hundreds of thousands" of Pentium chips this year and to "cross the 1m mark" in 1994.

Leading the companies offering Pentium PCs are Compaq Computer, with machines ranging from a $5,000 (£3,247) desktop computer to network servers priced from $18,000.

Other PC-makers introducing Pentium systems include AST Research, NEC, NCR, Zenith Data Systems, Dell Computer and Advanced Logic Research. Unisys and Hewlett-Packard are launching Pentium servers.

Notably missing from the companies introducing Pentium PCs was IBM PC, the largest PC-maker. IBM is expected to wait until the new chip is available in higher volumes before launching products.

Initially , Pentium PCs are expected to appeal to users of advanced applications such as computer-aided design and financial analysis that rely on the performance of the microprocessor "brain" in a PC. Analysts predict it will be about two years before the Pentium chip supplants the 486 in the "mainstream" PC market.

Several PC manufacturers are already offering "upgradeable" 486 PCs , with a socket to plug in a Pentium microprocessor at a later date. However, the design of Pentium systems is more complex than current PCs because the new chip requires special cooling systems.

This may cause problems in "upgradeable" PCs that are not equipped with specially designed fans, analysts said.

Improved margins lift US toy retailer

By Karen Zagor in New York

TOYS "R" Us, the rapidly expanding US toy retailer, yesterday reported a 25 per cent improvement in net earnings for the first quarter of 1993, to $35.4m, or 12 cents a share, reflecting stronger margins for products sold.

A year earlier, the company posted net profits of $28.3m, or 10 cents a share. Sales advanced to $1.29bn in the latest quarter, from $1.17bn a year earlier.

Mr Charles Lazarus, chairman and chief executive, said comparable toy store sales in the US rose 2 per cent in the quarter, with strong increases in basic toys and video games.

Same-store sales also improved in Spain, Canada and the UK. In Germany and France, however, local economic conditions put pressure on sales and comparable store sales fell.

The company's Kids "R" Us clothing stores had flat store sales in the quarter, but operating earnings rose significantly, reflecting "continued improvement in inventory management and expense control," Mr Lazarus said.

The company plans to open 40 toy stores in the US and 60 stores internationally, including its first stores in Belgium, The Netherlands, Portugal, Switzerland and Australia. It already operates 540 toy stores in the US, as well as 167 international toy stores and 215 clothing stores.

● Tiffany, the New York-based jewellery group, posted a sharp drop in first-quarter net income on modestly-improved sales, reflecting higher operating expenses and consumer caution in the face of weak economies around the world.

Net income for the first three months of 1993 fell to $1m, or 7 cents a share, from $3.1m, or 20 cents a year earlier. Sales rose to $109.5m from $107.2m.

Sales hit at Swiss arms group

By Ian Rodger in Zurich

OERLIKON Bührle, the Swiss armaments, engineering and retailing group, said sales and orders in the first four months of 1993 were sharply lower than in the same period of last year.

However, Mr Hans Widmer, chairman, forecast that net income this year would be higher than the SFr37m ($25.3m) recorded last year, as cost-cutting continued.

Oerlikon, which has been subjected by new management to restructuring after six consecutive years of losses up to 1991, said orders in the first four months were 17 per cent lower and sales were 10 per cent lower. The declines were mainly due to delays in incoming orders at its Pilatus light aircraft subsidiary and its Contraves armaments unit.

A controversial SFr250m order from the South African government for 60 Pilatus trainer aircraft has been delayed because of fears the aeroplanes could be used for military purposes.

Mr Widmer said the future of both Pilatus and Contraves was uncertain because of the possibility that the Swiss government would outlaw all weapons exports within the next two years.

He said it was clear the group as a whole "would be hurt" by such a development, but it could finance the contraction out of operating earnings.

Pilatus was hoping to secure its future with the development of a light business model, the PC-12, and by taking over the business of Piper, the bankrupt US aircraft maker. Mr Ernst Thomke, chairman of Pilatus, said the certification of the PC-12, expected for this summer, had been delayed because tests showed a need to strengthen its wings.

Mr Beat Baumgartner, Oerlikon finance director, said no dividend could be paid in the current year again because of a SFr67m deficit in the parent company.

The group aimed to eliminate the deficit by the end of 1994.

● Landis & Gyr, the electrical engineering group, said its sales fell 4.6 per cent to SFr1.4bn in the six months to March.

New orders were off 1.2 per cent to SFr1.5bn.

The group, controlled by Mr Stephan Schmidheiny, expects net income for its year ending in September 30, 1993, to be about the same as last year's SFr78.4m, mainly as a result of cost-cutting.

Investor revolt in sleepy Canada

Companies are now listening to shareholders, writes Bernard Simon

ANNUAL meetings of Canadian companies, even the biggest and most troubled ones, are invariably sleepy affairs. Shareholders ask few, if any, questions.

With the exception of a handful of church groups, murmurings of dissent tend to come from grumpy individuals rather than assertive institutional investors. The most satisfying part of a meeting is often the lunch that follows.

Such low-key politeness suits the style of Canada's notoriously clubby business establishment. "It's a different system here [from the US]," says Mr Robert Sillcox, head of investments at the Ontario Municipal Employees Retirement System (Omers), the country's second-biggest pension fund. "We tend to do things more quietly and behind closed doors."

There is, however, unmistakable evidence that Canadian companies are listening more closely these days to the corporate governance concerns of minority shareholders.

In the past month or two alone, activist shareholders have made some significant headway.

A torrent of criticism surrounding Royal Bank's pending purchase of the operations of troubled Royal Trust has led to the trust's independent directors launching their own review of the deal.

BCE, the country's biggest conglomerate, and Canadian Pacific, the transport and resources group, both agreed prior to their recent annual meetings to a change in rules to allow secret voting.

Earlier, Donohue, a Quebec forest products company, bowed to pressure from outside shareholders by watering down a share-swap plan which entrenches the control of its largest shareholder through multiple-vote shares. Donohue also agreed to appoint independent directors to its board.

Mutual Life took the unusual step for a Canadian insurance company of disclosing solvency ratios in the latest annual report. Trizec, North America's biggest listed property developer, has promised to boost the number of independent directors on its board, while TransCanada PipeLines will soon separate the duties of chairman and chief executive.

Pressure for improved corporate governance is coming from several directions. The financial problems of some of Canada's best-known companies have made many investors restive.

A portfolio manager at one large investment management firm singles out the empire controlled by Messrs Peter and Edward Bronfman, which has frequently been criticised for poor disclosure and for discrimination against minority shareholders. In particular, the unexpectedly steep slide in fortunes of Royal Trust, a Bronfman-controlled company, has raised questions about directors' responsibilities and the adequacy of public disclosure.

Despite the low-key way business is done in Canada, the activism of US institutional investors has not gone unnoticed north of the border.

Mr William Mackenzie, partner at Allenvest Group, a Toronto securities firm specialising in representing disgruntled minority shareholders, says more and more clients are taking part in proxy votes aimed at improving corporate governance.

Omers, which has significant stakes in about 50 of the companies which make up Toronto's TSE300 index, this year became the first Canadian institution to publish a detailed list of proxy voting guidelines.

The 36-page document spells out Omers' policy on such topical corporate governance issues as executive stock option plans, leveraged buyouts, unequal voting shares and environmental practices.

Another trend encouraging greater accountability is the loosening grip of family owners and foreign multinationals, long a hallmark of corporate Canada.

Several foreign companies, including British Petroleum, Lasmo and RTZ, have sold their former Canadian subsidiaries to a wide spread of institutional and retail investors.

The financial troubles of the Bronfman and Reichmann empires have also brought wide ownership to what were formerly tightly-controlled companies, such as MacMillan Bloedel, the forestry group, and John Labatt, the brewer.

Allenvest lists 18 companies to lose a controlling shareholder recently. The firm is urging the new owners of these companies to become more active in appointing directors, opposing "poison pills" designed to entrench existing management, and scrutinising executive compensation.

Without such scrutiny, widely-owned companies run a risk which has become apparent in the financial-services sector. No single investor is allowed to own more than 10 per cent of a domestic bank. The result, in the words of Mr David Atkins, a partner of accountancy firm Coopers & Lybrand in Toronto, is that management is king.

With shareholders wielding little real power, prime responsibility for the governance of financial institutions has passed to government regulators, who have laid down some of the strictest rules anywhere.

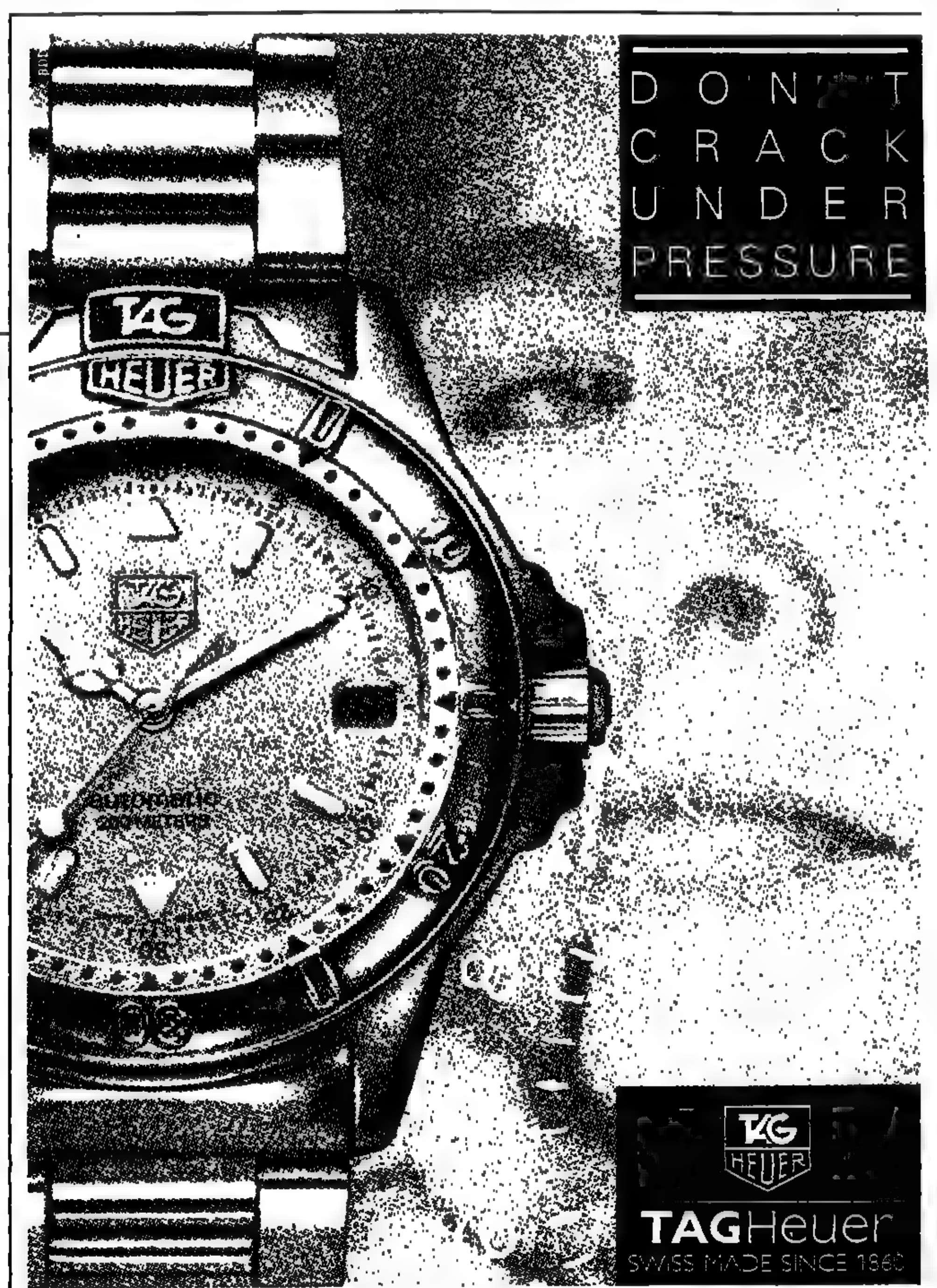
For instance, audit committees comprised of external directors are now compulsory. All federally-regulated insurance companies must attach actuarial certificates of loss reserves and actuarial liabilities to their financial statements.

Mr Atkins predicts increased pressure from regulators for wider disclosure, and for greater accountability by directors and auditors. Managers of financial institutions are "in a defensive, rather than an assertive mode", he says. "A lot of Canadian management feels that they've had these things imposed on them."

But improvements in Canadian corporate governance are likely to evolve much more slowly than in the US. Furthermore, many institutional investors still sense they have more to lose than to gain by flexing their muscles over corporate governance.

Mr Bob Bertram, senior vice-president for investment at the Ontario Teachers pension fund, mentions the potential consequences of a decision not to invest in companies with non-voting shares.

"When you take a stand on principle, you're going to eliminate an awful lot of investment opportunities," he says



INTERNATIONAL COMPANY NEWS

Firm Chinese foothold for Pacific Dunlop

Tony Walker looks at an Australian conglomerate poised to increase its investment in a boom region

PACIFIC Dunlop, the Australian conglomerate, is about to make a substantial leap forward in its China business with the registration of a Shanghai-based holding company to be known as Pacific Dunlop Holdings (China).

This would be only the third instance of a foreign company securing Chinese approval to set up such a vehicle to oversee business in China which, in Pacific Dunlop's case, is growing by leaps and bounds.

Mr Howard McDonald, head of Pacific Dunlop corporate affairs, said his company planned to increase its investment in Asia to about A$1bn (US$702m) by the end of the century from the present A$500m. Much of this additional investment will go to China where the company's current stake is A$120m.

"Our primary objective is to be a participant in China's growth as well as establishing efficient sourcing for the Australian market for such items as clothing and footwear," said Mr McDonald.

China's powerful Ministry of Foreign Trade has approved the setting up of the Pacific Dunlop holding company. Final approval, which rests with the local Shanghai municipality, is expected to be a formality.

Pacific Dunlop's investments in China comprise nine factories. These include two cable factories, a sock factory in Beijing, underwear-manufacturing ventures in Guangdong province and in Shenzen, adjacent to Hong Kong, and a shoe factory in Shanghai.

Mr McDonald said that at present rates of growth, China would in the next 10 years be supplying one-quarter of the world's textile requirements. China-made underwear, for example, accounted for 45 per cent of the Australian market, and Pacific Dunlop, through its Bonds and Holeproof brands, had the lion's share.

Pacific Dunlop is also examining ways in which to become more involved in food processing in China through its Pacific Brands Food Group. Among options being considered are setting up manufacturing ventures in China and increasing exports from Australia as Chinese consumer demand grows for such items as dairy products and French fries.

The company's investment strategy in China dictates that it retain a controlling 51 per cent interest in joint ventures. But, in fact, average shareholding of its China-based enterprises ranges between 60 and 65 per cent.

Pacific Dunlop's main requirement of its China partners is not a financial contribution so much as "on ground" support in selecting staff, securing land for factory construction and, perhaps most important, procuring orders.

In the booming Shenzen economic development zone, Shenzen Olex Cables, a Pacific Dunlop subsidiary, is a good example of this strategy. Olex's partners are the China National Posts and Telecommunications Appliances Corporation and the Shenzen Science and Industry Park Corporation, both of which have 10 per cent of the local joint venture.

After a year of operation – production began in early 1992 – the factory is producing near capacity at about 2,500km/day of telecommunications cable, and is having no trouble disposing of the product in the Chinese market where demand is almost insatiable. Annual requirements are estimated at about 10m km of cable which takes traffic in both directions against local production of 7m km.

But the requirement that Olex China, a A$30m venture, import most of its copper wire coupled with the continuing sharp depreciation of China's currency, the yuan, is squeezing profits in a highly competitive market. South Korea and Taiwan are big suppliers at low prices.

Other challenges facing managers at the Shenzen plant include intermittent power blackouts – China's overburdened infrastructure has difficulties coping with the economic boom – and a workforce that needs close supervision in the absence of effective local Chinese middle-level management at this early stage.

Olex managers also have to "fly by the seat of their pants" in scheduling production because Chinese consumers like to avoid longer-term contracts, and demand for different types of cable tends to vary almost by the week. "This is a very difficult way to operate a business," observed an expatriate manager.

But in spite of teething problems, Pacific Dunlop clearly regards the cable business as a lucrative growth sector. Apart from its Shenzen and Tianjin plants, it is planning a third. Olex China also recently opened a representative office in Beijing.

Mr McDonald noted that Pacific Dunlop's China trading relationship stretched back over a quarter of a century; and that both Mr John Gough, its chairman, and Mr Philip Brass, its managing director, have been personally involved in the China trade for much of that time. Mr Brass, in fact, is a member of the mayor of Shanghai's business advisory committee.

Profits at Argentine telecoms group soar

By John Barham
in Buenos Aires

TELEFONICA de Argentina, the largest of the country's two privatised telephone companies, has unveiled net profits of US$143.7m for the first half to March 1993 on sales of US$853m.

This compares with first half net profits of US$93.7m the year before, on sales of US$731.4m.

Argentina's telephone system has become hugely profitable following its privatisation in 1990. In the financial year to September 1992, Telefonica earned taxable profits 81 per cent ahead at US$293.2m on sales 38 per cent up at US$1.58bn.

Telefonica, controlled and operated by the Spanish Telephone Company Telefonica de Espana, holds a legal monopoly over services in the southern half of Argentina.

Its smaller rival Telecom de Argentina, which is controlled and operated by the French and Italian state companies, reported a 172 per cent rise in net profits to US$150.3m in the year to September 1992, while revenues rose 36 per cent to US$1.2bn.

Telefonica said it would invest US$2.5bn over the next three years, after investing US$1.2bn in the two years since privatisation.

Telecom de Argentina plans investment of US$3.3m for the same period.

Telefonica financed 80 per cent of the investment programme out of cash flow and raised the rest from banks and the capital markets. The company is planning a bond issue of US$150m.

● Telebras, Brazil's state-controlled telecommunications group, has announced first quarter net profits of US$158.3m, writes Bill Hinchberger in Sao Paulo.

The result surprised most analysts, who expected figures closer to last year's first-quarter profit of $264.2m. Telebras shares are the most heavily traded on the Sao Paulo Stock Exchange.

Swedbank sharply trims first-quarter losses to SKr864m

SWEDBANK, the newly-merged savings bank group, reports a sharp reduction in first-quarter losses, writes **Christopher Brown-Humes in Stockholm.** Operating deficit fell to SKr864m ($118m) from SKr2.94bn after loan losses of SKr2.78bn against SKr4.63bn. The comparative figures represent one quarter of 1992 totals.

A rising share of problem loans meant net interest income for the period fell 8.1 per cent to SKr2.92bn and total income dropped to SKr3.90bn from SKr4.01bn. However, a cost-cutting drive reduced operating expenses by 14 per cent to SKr1.99bn and helped the operating result before credit losses to improve to SKr1.91bn from SKr1.69bn. The bank is aiming to cut costs by SKr2bn by the end of next year from 1991's level.

Swedbank is one of the Swedish banks seeking state support although the terms are not yet known. The bank saw its capital adequacy ratio fall to 9.0 per cent at the end of March from 9.3 per cent at the end of 1992.

COMPANY NEWS IN BRIEF

■ Ericsson, the Swedish telecommunications group, is buying a 40 per cent stake of Denmark's Terma Elektronic, which makes radar and display systems, control and communications equipment and high frequency radios. Terma has sales of DKr320m ($52m) and 460 employees. The acquisition is being made on undisclosed terms from the Thomas B Thriges foundation.

■ ABB Asea Brown Boveri, the leading power engineering group, has improved first quarter operating earnings by 1 per cent to $409m, writes Ian Rodger from Zurich. It expects pre-tax profit for 1993 as a whole to be at about the same level as last year's $1.11bn.

The group said the downturn in demand in Europe continued in the quarter, putting pressure on prices and reducing volumes for several ABB businesses.

However, the depreciation of currencies in countries such as Sweden, where the group has important operations, has created opportunities.

Indications of an economic recovery in North America have not yet shown up in the group's new order figures, but orders from Asia continued to grow well. New orders in the first quarter were down 3 per cent from a year earlier but the order backlog at end-March was $29.4bn, up 11 per cent.

■ THE share capital of Oslobanken, a tiny Oslo-based commercial bank, has been wiped out, according to Norway's state-backed bank insurance fund, writes Karen Fossli from Oslo. The state fund said the operations of Oslobanken are to be gradually wound down. Oslobanken has assets of between NKr3bn ($440m) and NKr4bn.

■ Bang & Olufsen, the Danish television and audio equipment manufacturer, expects to make a pre-tax loss for the year ending in May, 1993 of about DKr19m ($3m), writes Hilary Barnes from Copenhagen.

The result is better than budgeted and from improved operating earnings, a disposal and improved licence income. The group said rationalisation measures are taking effect and will reduce group costs significantly next year.

■ Spar Aerospace, best known as Canada's space company, is making a determined shift into commercial products, writes *Robert Gibbens in Montreal.*

"We are not leaving the space business," Mr John MacNaughton, president, told the annual meeting in Toronto, "but we can raise margins significantly by concentrating more on satellite-based communications and remote sensing systems."

This means Spar will move away from the design and manufacture of satellites, robotic and aviation systems, towards integrated communications and information systems, he said. Recent acquisitions were designed to speed the process.

Space-related business will be down to less than 50 per cent of Spar's revenues by 1996.

Spar's first-quarter net profits slipped to C$2.9m or 22 cents a share, from C$3m or 26 cents, a year earlier, on revenues of C$116m against C$104m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Previous Price for Trading on [illegible]: Pool purchase price £/MWh	Pool Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.70	18.64	18.64
0100	18.72	18.09	18.09
0130	24.49	18.87	18.87
0200	24.49	48.64	52.99
0230	24.49	48.54	52.97
0300	19.00	18.87	18.87
0330	18.72	18.87	18.87
0400	18.70	18.63	18.63
0430	18.70	18.58	18.58
0500	18.70	18.54	18.54
0530	18.68	18.46	18.46
0600	18.68	18.11	18.11
0630	19.00	18.60	18.60
0700	24.39	19.00	19.00
0730	25.83	26.26	28.67
0800	26.64	27.31	30.75
0830	26.68	28.12	31.66
0900	27.43	28.13	31.66
0930	27.43	28.13	31.54
1000	27.42	27.32	30.71
1030	27.41	27.32	30.71
1100	27.47	27.32	30.71
1130	31.18	28.24	29.61
1200	36.41	28.14	31.56
1230	36.36	28.13	31.56
1300	36.19	28.12	31.54
1330	25.88	26.22	29.55
1400	25.86	26.22	29.55
1430	19.32	25.48	28.79
1500	25.85	25.48	28.79
1530	27.31	25.48	28.79
1600	27.33	25.49	28.79
1630	28.05	29.00	32.41
1700	34.12	35.01	38.58
1730	34.10	35.00	38.57
1800	34.05	35.00	38.61
1830	27.29	28.57	32.00
1900	25.62	25.48	28.82
1930	25.53	19.07	19.07
2000	25.53	19.00	19.00
2030	25.53	19.00	19.00
2100	25.53	34.63	38.25
2130	30.02	36.00	39.64
2200	34.00	36.00	39.67
2230	34.00	26.22	29.59
2300	24.64	25.26	28.62
2330	24.39	25.26	28.65
2400	23.86	18.60	18.60

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8.30am and 5.15pm Monday to Friday.

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Nintendo ponders the threat to its market dominance

Michiyo Nakamoto reports from Tokyo on an uncertain future for Japan's third-largest profits earner

THE sparsely-furnished head office of Nintendo in the traditional capital city of Kyoto belies the success of Japan's third-largest profit earner.

There is nothing about the drab walls that line the corridors or the nondescript furniture that sits in otherwise bare meeting rooms that gives even a hint of the wealth the Japanese video games manufacturer has generated.

This austerity seems characteristic of Nintendo's approach to business.

While the company is likely to have surpassed Matsushita, the world's largest consumer electronics manufacturer, in terms of profits, it operates with just 892 staff in Japan, compared with about 150,000 at Matsushita. Nintendo is also sparing in its product range.

While its main competitor Sega is busy launching a new advanced games machine, Nintendo has chosen to stay with its latest generation machine, which it believes has more potential for generating profits.

It has a strategy of keeping costs and risks to a minimum by subcontracting all manufacturing apart from some assembly work and testing.

This lean, mean strategy has yielded enviable results.

NRI, the research arm of Nomura Securities, forecasts Nintendo will report non-consolidated pre-tax profits of Y167bn ($1.5bn), up 7 per cent from Y156bn in 1991, when it announces its results this month. The figure beats the Y102bn forecast for the year by Matsushita.

Profit per employee comes to roughly Y187m. And although Nintendo expects capital expenditure for the year to be about Y10bn, it also has a cash pile of Y289bn or 58 per cent of total assets.

It has built up a formidable presence in its home market, where it controls about 95 per cent of the market by its own estimates, and overseas.

For a company that used to derive most of its income from selling playing cards, that is a remarkable achievement.

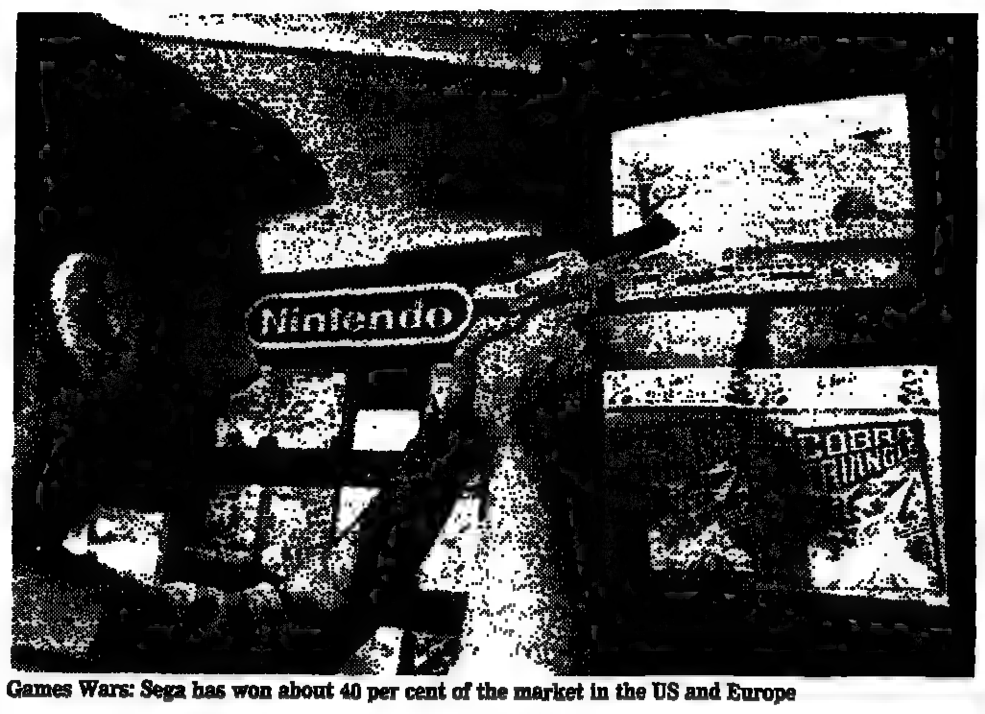
While a low-cost structure helps, a better clue to Nintendo's prosperity may lie in the formula for success it used in generating profits from playing cards for nearly 100 years since it was founded by the great-grandfather of Mr Hiroshi Yamauchi, Nintendo's president, in 1889.

What Nintendo learnt in the card business was that entertainment value, or software, is what differentiates one set of playing cards from another.

For example, by introducing cards with Disney characters on them, Nintendo was able to create high demand among Japanese children. It has taken a similar approach to its electronic games business.

Nintendo relies for the bulk of its revenues on just three money-spinning machines: the Nintendo Entertainment System, the portable Game Boy and the 16-bit Super NES, and their software.

The reason why the company has done so well is because its software is so much more entertaining than that of other video games manufacturers, says Mr Tokio Sotani, managing director.



Games Wars: Sega has won about 40 per cent of the market in the US and Europe

Nintendo's obsessive concern with software quality has led it to keep tight control over the production of the software cartridges even though it has more than 100 outside software producers writing games for it in addition to its in-house software staff of 150.

Mr Sotani is confident that as long as there are attractive games to play the popularity of video games will not wane.

However, the future, may not be so certain for Nintendo.

Recently it has had to combat a wave of bad publicity when it was discovered that excessive use of video games machines could trigger fits among people with a certain type of epilepsy. More worrying is the growing success of Sega, its arch rival.

Overseas, Sega has won about 40 per cent of the market in both the US and Europe. Sega beat Nintendo to the market with a games machine using CD-ROM discs which can store far more information than conventional cartridges.

Sega has taken the lead in bringing games software directly into the home by tying up with Time Warner and TCI, two of the largest US cable television companies, to provide Sega video games on cable television.

Other competitors, including large consumer electronics companies such as Matsushita, are piling into the video games market with product launches expected this year.

"Competition is getting a bit tougher. But I haven't seen anything from Nintendo that shows that they have done something to adapt to the new environment," says Mr Jeff Camp, industry analyst at Jardine Fleming.

Nintendo has yet to reveal plans for introducing CD-ROM games machines or how it would act on its stated intention to use satellite broadcasting to bring games into homes.

Nintendo's response to suggestions that it has been slow to adapt to a changing market is outright contempt for competitors who rush to bring new products to the market that neither consumers, nor they themselves, may be ready for.

"We will not bring out CD-ROM until software producers are sufficiently satisfied that they have come up with software that is truly different," says Mr Sotani.

However, even Nintendo accepts that it faces a challenge.

"I believe 1994 will be a turning point," says Mr Hiroshi Imanishi, general manager of the general affairs department.

Although outwardly confident of the company's ability to maintain its market dominance in Japan, Nintendo managers are aware that the tide could turn in the years ahead.

The nature of the video games market, according to Mr Yoshiyuki Kinoshita, industry analyst at NRI, is that changes in market share come when there is a shift to the next generation technology.

Such a shift to multi-media technology has begun with the use of CD-ROM. Depending on which company is able to make the most of the new technology, even Nintendo's total dominance in Japan could be challenged.

Sony music unit gains 39.7% as home sales grow

By Wayne Aponte in Tokyo

SONY Music Entertainment (Japan), a core unit of the Sony group's domestic software business, saw a 39.7 per cent increase in profits for the fiscal year to March.

Pre-tax profits of the parent company rose to Y22.4bn ($202m) from a year earlier due to the success of new Japanese recordings and the expansion of its domestic repertoire.

Net profits gained 41.2 per cent to Y11.9bn from a year earlier, while sales grew by 8.4 per cent to 100bn.

However, the shares of the company, whose western recording artists include Michael Jackson, suffered from profit-taking on the second section of the Tokyo stock exchange yesterday, ending Y30 lower at Y5,180.

The company said CD and record sales of their Japanese artists climbed 21.7 per cent the last fiscal year and enabled the company to counter depreciation costs.

In spite of the gains made last year, Sony Music predicted a decline of 10.9 per cent in pre-tax profits to Y20.2bn this current business year, with sales down 2.6 per cent at Y98.1bn.

● Sintokogio, Japan's leading maker of casting machines, announced its pre-tax profits declined sharply for the financial year to March 1993.

Pre-tax profits dropped by 47.9 per cent from a year earlier on lower product prices amid sluggish demand and higher personnel expenses. Sales eased by 17.6 per cent at 41.2bn.

The Nagoya-based company expected a sharp 58.8 per cent drop in its pre-tax profits to Y1.4bn for the current year due to a predicted decrease in plant investment.

Sales are expected to decrease by 10.3 per cent to Y37bn this year.

● Japanese life and non-life insurers, which announce their 1992-93 results next month, will disclose problem loans for the first time, although on a much smaller scale than those of Japanese banks, for the year 1992-93, Reuter reports from Tokyo.

Nippon Life Insurance, Japan's biggest life insurer, said it may have about Y20bn ($180m) in problem loans at end-March 1993, or about 0.2 per cent of loans then outstanding.

Of these, Y5bn were in bad loans to clients who had gone bankrupt and Y15bn in non-performing loans on which interest payments were in arrears for six months or more.

The five big insurers, including Dai-ichi Mutual Life, Sumitomo Life, and Nippon Life, each appear to have problem loans totalling less than Y50bn.

Sharp improvement at Bangkok Bank

By William Barnes in Bangkok

BANGKOK Bank, Asia's largest regional bank outside Japan, reported a jump in first-quarter net profits to Bt3.7bn ($148m) from Bt2.4bn in 1992.

Analysts in Bangkok said that although the figures included extraordinary gains, notably from the Bt100m sale of land on the Chao Phraya river in Bangkok, the bank's forecast of a 20 per cent profits growth this year looks easily achievable.

Net profits in 1992 rose to Bt10.54bn from Bt7.3bn in 1991.

In spite of increased competition and an economic slowdown the Bangkok Bank continues to benefit from a wide spread between deposit and lending interest rates and its dominance in corporate lending.

The bank accounts for around a quarter of total deposits in Thailand. The spread between what it charges prime borrowers and its six-month savings rate is now 3.75 per cent.

First-quarter outstanding loans totalled Bt599bn in the quarter, up from Bt520bn last year.

The bank is trying to reduce its reliance on corporate lending by emphasising high margin retail lending and investment banking. Non-interest revenue rose to Bt2.3bn from Bt1.7bn.

● Bank of Ayudhya, Thailand's fifth-largest commercial bank, said net profits rose 15 per cent in the first quarter of 1993 to Bt647.71m, reports AP-DJ.

The result is roughly in line with analysts' forecasts that called for Bt2,615m in the full year.

● Siam City Cement, Thailand's second-biggest cement producer, said foreign exchange profits and increased cement sales sharply raised its first-quarter earnings, Reuter reports.

Siam said net after-tax profit rose to Bt620.2m, or Bt3.18 a share, from Bt299.5m, or Bt1.54 a year ago. It said the strong results could also be attributed to a corporate decision to delay taking depreciation and interest payments charges for its fifth cement kiln.

San Miguel lifted by lower costs

LOWER interest charges enabled San Miguel, the Philippine food and beverage conglomerate to lift first-quarter profits to 617m pesos ($24.7m), Reuter reports from Manila.

The 1993 first-quarter income was about 5 per cent higher than its year ago level of 589m pesos, the company said.

Consolidated net sales firmed slightly to 13.6bn pesos from 13.4bn pesos.

The company said a 34 per cent drop in interest costs as a result of declining interest rates helped it post higher profit in spite of lower income from operations. It was helped by an increased contribution from affiliates, particularly Nestlé Philippines.

San Miguel's income from operations eased 13 per cent to 1.3bn pesos in January to March largely as a result of a decline in sales volumes because of the effects of severe power shortages on the economy.

The company said improved operating efficiencies, particularly in beer and soft drinks, cushioned the drop in sales volume.

INTERNATIONAL CAPITAL MARKETS

Rally continues in Europe ahead of Danish vote

By Sara Webb in London and Patrick Harverson in New York

EUROPE'S high-yielding government bond markets continued to rally on expectations that Denmark will vote in favour of the Maastricht treaty and thereby help to revive moves towards economic and monetary convergence in Europe.

Bond market participants said some investors were adopting a "wait-and-see" strategy ahead of today's Danish referendum, and the Bundesbank Council's meeting tomorrow.

GOVERNMENT BONDS

The Spanish government bond market continued to rally following last Thursday's devaluation of the peseta and Friday's interest rate cuts.

The Bank of Spain lowered its money market overnight rate from 12.77 per cent to 12.00 per cent yesterday, raising hopes of further cuts in the central bank's key interest rates.

The Meffsa contract quoted on the Spanish futures exchange jumped from 87.79 to 88.43, and in the cash market, five-year bonds slightly outperformed the 10-year area, lifted by healthy foreign investor buying. The 10-year, 10.90 per cent bond yielded 10.99 per cent against 11.11 per cent at the previous close.

■ ITALIAN government bonds rallied on a combination of convergence hopes, expectations of good inflation figures, and a favourable L1,500bn bond auction.

The Liffe futures contract rose from 98.39 to 98.65 as net yields fell at yesterday's 10-year BTP auction from 11.09 per cent to 10.71 per cent.

The tranche of March 1, 2003 BTPs, paying a coupon of 11.50 per cent, were assigned at a price of 97.45, compared with 95.30 at the previous tranche of the paper on May 3.

■ THE ECU bond market closed about a quarter point higher on positioning ahead of Denmark's Maastricht vote. Analysts said theoretical Ecu bond yields were already approaching 30 basis points below the actual composite yield as the market discounted a Yes vote.

■ ACTIVITY in the German bond market was muted ahead of today's Danish referendum and German repo result, and tomorrow's Bundesbank council meeting, dealers said.

The Liffe bund futures contract traded down from its high of 94.78 to a low of 94.54 before short-covering helped to push the contract up to 94.72 by late afternoon.

Dealers warned that a Danish vote in favour of European economic and monetary union would probably prompt further switching out of bunds and into the higher-yielding European bond markets.

■ FRENCH government bonds made small gains, outperforming the German market with the result that yield spreads narrowed even further – from 39 basis points to 37 basis points in the 10-year area.

On the Matif futures exchange in Paris, the June bond futures contract ended at 117.44, up 0.10.

■ THE UK government bond market opened on a weak note but rallied later to make up most of Friday's losses.

The gilt market lost half a point on Friday, with prices pulled down by the Bank of England's auction announcement. The Bank plans to auction stock in the 10 to 15- year area, and further details of the specific stock, coupon and amount will be announced today.

In the futures market, the futures contract rose from 103.07 to 103.23 in relatively light volume, while cash bonds slipped back slightly in the auction stock area.

Dealers expect the gilt market to be distracted by the slew of economic data and news due to be released this week, as well as the Danish referendum result and Bundesbank council meeting.

■ THE JAPANESE government bond market continued to take its cue from the stock market, with bond prices ending lower as the Nikkei average closed up 91.36 points at 20,585.51.

Bond dealers said the bond market's weakness also reflected supply concerns. Last week saw some local government bond issuance, while this week dealers expect utilities to tap the market, and the regular government bond auction is due to take place next week.

The September futures contract opened at 107.13 and reached a high of 107.22 before ending the day at the low price of 106.84. Prices weakened further in London trading with the futures contract moving to 106.75.

■ THE US Treasury yield curve flattened slightly yesterday morning after longer-dated prices fell amid continued concern about the outlook for inflation and monetary policy.

By midday the benchmark 30-year government bond was down ⅛ at $102\frac{2}{32}$, yielding 6.944 per cent. At the short end of the market, the two-year note was up $\frac{1}{32}$ at 99¾, to yield 3.992 per cent.

In the wake of last week's unexpectedly strong consumer and producer prices figures, bond investors have become extremely nervous about inflation, and how it might affect the Federal Reserve's stance on monetary policy.

Although analysts said that policy was likely to remain unchanged, at least until more prices data was available, investors fear that the apparent resurgence of inflation may force the Fed to raise interest rates to slow the pace of economic activity.

FT FIXED INTEREST INDICES

	May 17	May 14	May 13	May 12	May 11	Year ago	High *	Low *
Govt Secs (UK)	94.83	94.71	94.85	94.92	94.84	89.23	96.04	93.28
Fixed Interest	110.67	110.92	110.99	110.98	111.02	104.57	113.83	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	May 14	May 13	May 12	May 11	May 10
Gilt Edged Bargains	92.4	88.6	98.4	119.7	97.3
5-Day average	97.5	101.3	99.4	102.4	102.4

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	113.6517	-0.085	7.53	7.52	7.45
BELGIUM		9.000	03/03	110.7500	+0.050	7.42	7.48	7.80
CANADA *		7.250	06/03	98.7500	+0.050	7.72	7.51	7.31
DENMARK		8.000	05/03	103.3750	-0.025	7.51	7.77	7.88
FRANCE	BTAN	8.000	05/98	105.5786	-0.053	6.64	6.72	6.84
	OAT	8.500	04/03	109.5400	+0.080	7.12	7.20	7.07
GERMANY		6.75	04/03	99.7750	-0.060	6.78	6.80	6.54
ITALY		11.500	03/03	96.7250	+0.245	12.44†	12.58	13.11
JAPAN	No 119	4.800	06/99	101.7769	-0.098	4.43	4.32	4.20
	No 145	5.500	03/02	105.9241	-0.403	4.56	4.46	4.26
NETHERLANDS		7.000	02/03	102.5500	+0.100	6.62	6.68	6.50
SPAIN		10.300	06/02	95.3368	+0.163	11.13	11.61	11.44
UK GILTS		7.250	03/98	100-15	-2/32	7.13	7.07	7.00
		8.000	06/03	98-09	-3/32	8.11	8.06	7.83
		9.000	10/08	104-04	+3/32	8.51	8.44	8.27
US TREASURY *		6.250	02/03	101-20	-	6.02	5.91	5.86
		7.125	02/23	102-07	+6/32	6.94	6.85	6.76
ECU (French Govt)		8.000	04/03	103.5800	+0.480	7.47	7.72	7.54

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Bankers Trust vice chairman to retire

By Patrick Harverson in New York

BANKERS Trust, the New York banking and securities trading group, announced yesterday that its vice chairman, Mr Edward Lesser, will retire at the end of the year. His departure follows the restructuring of the division he led for the best part of a decade.

Under the restructuring, the business focus of the cash management, securities processing and investment management operations (known collectively as Profitco) run by Mr Lesser was reoriented towards customer, not product, groupings. Originally, the reorganisation involved setting up seven client groups, under the new name of Global Assets.

That reorganisation, however, ran into early problems. The number of customer groups was reduced to five, a move which led to the departure of two managing directors, from the private banking and information services areas. Then yesterday, Bankers Trust announced that the Global Assets and the investment management groups would be consolidated with the funds management division, into a new group called Global Investment Management.

Although Mr Lesser remained in charge of the division following its initial restructuring, the changes led to speculation that he would step down from the company.

Mr Lesser, 59, joined Bankers Trust in 1955. In 1984 he helped form Profitco and was credited with the idea of turning the custodial and information-processing businesses of the bank profit centres in their own right.

Market makers cut service to other dealers

By Tracy Corrigan

TWO leading players in the LDC debt market have stopped making a market to other market makers, citing excessive inter-dealer activity in the sector by comparison with other markets.

Merrill Lynch and ING New York both said they would continue making markets to clients.

"We did not feel it was a necessary function any more," said Mr Scott Gordon, chief trader at ING in New York. Instead, the New York office will concentrate on managing its own portfolio and trading with investors. The London office will continue a full market-making service.

Merrill said it would continue making a market to a narrow selection of other market makers, but would "focus more on customer flows". The decision affects trading in London and New York. According to traders, there are about 10 market makers in the sector.

US exchanges in clearing software project

By Laurie Morse in Chicago

THE Chicago and New York Mercantile Exchanges have agreed to develop a $15m software project to upgrade and standardise their trade-clearing systems.

The project, which stops short of common clearing for the two exchanges, will produce a state-of-the-art system that the exchanges hope will become a standard throughout the world in the futures industry.

The planned system will, for the first time, allow each exchange to back up the others' operations in the event of a calamity, a feature that has become more urgent in the wake of the Chicago flood in 1992 and the World Trade Center bombing in February. Both disasters disrupted US futures trading.

The CME and the Nymex are, respectively, the second and third-largest futures exchanges in the US, after the Chicago Board of Trade.

Belgium benefits from strong early sales into Far East

By Tracy Corrigan

NEW issue activity was subdued yesterday, ahead of today's Danish referendum, but dealers expect the flow of deals to pick up if the Danes vote in favour of the Maastricht treaty this time.

INTERNATIONAL BONDS

Among the borrowers said to be eyeing the Ecu market were the European Investment Bank, the European Community, Denmark, Sweden, Finland, Spain and Italy.

The focus of attention yesterday was the Kingdom of Belgium's $500m Eurobond due 1998, which benefited from strong early sales into the Far East.

The issue, arranged by JP Morgan, was officially launched in London time, but underwriters were alerted in advance, allowing sales to be made throughout the Far Eastern trading day.

Belgium has been a rare visitor to the international markets in recent years, which helped fuel demand for the issue. The pricing, at 21 basis points above the five-year US Treasury yield, was considered fair for an AA+/AA1 sovereign borrower.

Several underwriters said they had sold substantially more than their allotments, while others said demand was strong but only in certain areas. The improved performance of the dollar recently has encouraged interest in three to five-year paper among certain investors.

A number of other dollar offerings are about to be made. Toyota Motor Finance is expected to launch a $300m-350m three-year deal today, while the Asian Development Bank is preparing a $600m 10-year issue via Lehman Brothers and JP Morgan.

In addition, Chubu Electric Power is said to be planning a swap-driven deal in the Canadian dollar sector, though it may shift elsewhere if better arbitrage opportunities are available.

Elsewhere, General Electric Capital Corporation launched a L150bn issue due 2000 via Deutsche Bank. The deal met firm demand, due to strong interest in high-yielding currencies.

■ The Bank of China is expected to return to the Eurobond market in the next two months by issuing $150m-$200m of floating-rate notes in London, the China Daily quoted a bank official as saying, Reuter reports from Beijing.

Huo Tuanjie said the notes would mature in five to seven years.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Kingdom of Belgium	500	5.375	99.42R	Jun.1998	0.25R	+21 (5¼%-98)	JP Morgan Securities
YEN							
Sanyo Electric Co.	20bn	5.1	100.1R	Sep.1999	0.35R	-	Daiwa Europe
Sanyo Electric Co.‡	10bn	(a)	101.85	May.1998	1.875	-	Sumitomo Finance Intl.
ITALIAN LIRA							
GECC	150bn	10.375	101.837	Jun.2000	1.875	-	Deutsche Bank London
AUSTRIAN SCHILLINGS							
Petroleos Mexicanos	700	8.375	100.5	May.1998	1.8	-	Creditanstalt-Bankverein
SWISS FRANCS							
Commerzbank(b)+◊	110	3.5	100	Jul.1996	-	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. +Private placement. ◊With equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 3-month Libor + 0.25%. b) Denom.: SFr50,000 + 60 warrants; 10 warrants entitle holder to a basket of German utility company shares at a strike price set today.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices on May 17

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	17	49	12
Other Fixed Interest	2	0	13
Commercial, Industrial	295	238	867
Financial & Property	155	85	560
Oil & Gas	16	25	41
Plantations	1	0	7
Mines	45	39	56
Others	32	46	37
Totals	563	483	1,593

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings May 17
- Last Dealings May 28
- Last Declarations August 12
- For settlement August 23

3-month call rate indications are shown in Saturday editions.

Calls in: Blacks Leisure, Cannon St., Cluff Res., Chloride, Division Group, Enterprise Computer, FNFC, Hanson Wts., Helene, Jones & Shipman, Kunick, Marshalls, Markheath, Millwall, Monarch Res., Microfocus, Ossory Ests., Tadpole Tech., Tibbett & Britten and Tullow Oil. Puts in: Amstrad, Division Group, Helene, Microfocus and Tibbett & Britten. Puts & Calls: Greycoat, Simon Eng. and ZCI.

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

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LIFFE EQUITY OPTIONS

[illegible]

May 17 Total Contracts 34,348
Calls 14,640 Puts 9,744
FT-SE Index Calls 1,208 Puts 3,043
Euro FT-SE Calls 389 Puts 1,377
*Underlying security price. †Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon May 17	Day's change %	Fri May 14	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	127.47	-0.08	127.55	2.10	4.09
2	5-15 years (24)	145.76	-0.03	145.81	2.07	5.22
3	Over 15 years (9)	158.96	+0.02	158.93	2.57	3.49
4	Irredeemables (6)	174.55	-0.09	174.71	0.88	8.12
5	All stocks (62)	142.50	-0.03	142.55	2.17	4.59
	Index-Linked					
6	Up to 5 years (3)	193.19	-0.03	193.21	0.62	1.92
7	Over 5 years (11)	171.85	+0.13	171.63	0.99	1.72
8	All stocks (14)	172.25	+0.11	172.08	0.94	1.76
9	Debs & Loans (80)	126.52	-0.08	126.59	2.23	4.24

AVERAGE GROSS REDEMPTION YIELDS

			Mon May 17	Fri May 14	Year ago (approx.)
	British Government				
1	Low	5 years	7.14	7.11	8.11
2	Coupons	15 years	8.09	8.09	8.91
3	(0%-7¾%)	20 years	8.31	8.31	8.91
4	Medium	5 years	7.42	7.39	9.14
5	Coupons	15 years	8.51	8.51	8.95
6	(8%-10¾%)	20 years	8.61	8.61	8.83
7	High	5 years	7.84	7.82	9.34
8	Coupons	15 years	8.76	8.76	9.07
9	(11%-)	20 years	8.80	8.80	9.03
10	Irredeemables(Flat Yield)		8.64	8.63	9.11
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.80	2.74	3.89
12	Inflation rate 5%	Over 5 yrs.	3.59	3.60	4.43
13	Inflation rate 10%	Up to 5 yrs.	2.22	1.95	3.24
14	Inflation rate 10%	Over 5 yrs.	3.42	3.43	4.24
15	Debs &	5 years	9.82	9.86	10.51
16	Loans	15 years	9.58	9.54	10.32
17		25 years	9.71	9.69	10.23

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Spurs forced to issue statement on profits

By Jane Fuller

TOTTENHAM Hotspur, the north London football club, was forced to put out a profit statement yesterday after Mr Terry Venables, who is fighting to keep his job as chief executive, broadcast a profit forecast on BBC Grandstand on Saturday.

Mr Venables made the unauthorised forecast of a £5m profit during the BBC's coverage of the FA Cup final at Wembley. The drama of his sacking and reinstatement on Friday has provoked as much excitement as the 1-1 clash between Arsenal and Sheffield Wednesday.

With Tottenham's share price rising from 89p to 103p yesterday, the board headed by Mr Alan Sugar, who wants Mr Venables out, announced that pre-tax profits amounted to about £4m for the 10 months to March 31.

It made clear that Mr Venables' statement was "without the board's approval".

Mr Venables' method of giving out price-sensitive information jars with stock exchange rules about making such announcements to the market as a whole.

The £5m figure for Spurs' financial year to May 31 was in line with a forecast by its broker, Carr Kitcat & Aitken.

The other factor driving up the share price yesterday was speculation about the amount Mr Sugar, who owns 48 per cent of the shares, was prepared to pay Mr Venables for his 22 per cent stake.

Mr Sugar has offered to match what Mr Venables paid for the shares. Confusing reports on this led to some market speculation that the figure might be as high as 125p a share.

Mr Venables, who described the offer as derisory, paid 75p for about 2.9m shares when he and Mr Sugar took control of the club in mid-1991.

He later converted an £800,000 loan to the club into about 640,000 shares as part of a £7m rescue rights issue, at 125p a share, which was underwritten by Mr Sugar.

According to these figures, the average price Mr Venables paid was 85p, which is less than Friday's closing price.

Mr Venables also borrowed most of the £3m he has invested, leaving him with a loss on his financing costs.

In broadcasting the £5m forecast, he also drew attention to the low p/e ratio on which Tottenham was trading – little more than three times at 89p. This rises to more than 8 times if about £3m gains from player sales, notably Paul Gascoigne, are deducted from the forecast.

With or without Sugar? Terry Venables in his office yesterday following the drama of his sacking and reinstatement on Friday

Whitbread turns to eating out in quest for growth

By Paul Taylor

WHILE some of the UK brewers have been chasing volume to offset flat or declining beer sales, Whitbread has been looking elsewhere for its growth.

As yesterday's results highlight, the UK's fourth largest brewer is increasingly concentrating on its managed retail business, which includes Whitbread Inns, Beefeater, Pizza Hut and TGI Friday's restaurant chains as well as the expanded Thresher's high street off-licence business.

This is no accident. There is excess capacity in the brewing sector, margins are under pressure as a result of aggressive discounting by Whitbread's larger competitors, and the Supply of Beers Orders have necessitated a wide ranging reorganisation of the tied house estate.

In contrast the eating out market has been one of the fastest growing consumer markets over the past decade. Between 1982 and 1992 UK consumer spending on eating out grew in real terms by 70 per cent, while beer sales were flat. Last year consumers spent £16.6bn on eating out compared with £13.5bn on beer.

With a modest upturn in consumer spending under way Whitbread's recent investment in its managed retail operations appears to be beginning to pay off.

Whitbread Inns, the group's managed pub business, increased profits, turnover and market share last year. Drinks sales grew by 6 per cent while food sales increased by 11 per cent. Overall, Whitbread's managed estate derives 35.9 per cent of its business from food, while the competition manages only 13.7 per cent.

Within the restaurants businesses all three domestic chains managed to increase sales and profits. Beefeater increased its sales by 2 per cent and profits by 4 per cent, despite a decline in average weekly covers from 1,120 in 1989 to just over 900 in August last year.

Similarly, Pizza Hut recorded a 3 per cent growth in sales and a 24 per cent increase in profits. Since November Mr Peter Jarvis, Whitbread's chief executive, said sales have grown strongly each month and significant efficiency gains are benefiting margins. TGI Friday's also benefited from emerging economies of scale as sales grew by 15 per cent and profits more than doubled.

The other star performer in the division was Thresher. Following the acquisition of Peter Dominic from Grand Metropolitan last year Thresher now has 1,600 shops and is the leader in the £5bn-a-year home drinks market.

The expanded off-licence group managed to increase profits by 30 per cent and sales by 40 per cent. Whitbread's concentration on building its beer brands has also helped it in the take home business.

Although the beer and drinks division itself only managed a modest increase in sales and profits last year, Whitbread claims the largest share, 17 per cent by value, of the take home market.

Overall the Whitbread's managed retail estate businesses boosted profits by 13 per cent to £135.7m (£119.9m) on turnover of £1.56bn (£1.38bn) last year and now accounts for almost 60 per cent of group turnover and more than 51 per cent of profits from continuing operations.

Sir Michael Angus, chairman (left), and Peter Jarvis: ready for the upturn in consumer spending

£2m exceptional charges push Hartons further into the red

By Catherine Milton

LOSSES at Hartons Group, the distributor of semi-finished plastics, deepened from £5.36m to £6.25m in 1992.

The directors continue to defer the declaration of a preference dividend. Losses per share were 8.5p (8.1p).

Pre-tax losses on continuing operations were £2.52m (£4.66m) after net exceptional costs of £45,000 (£859,000).

There were exceptional charges of £2m (£1.22m). Some £1.84m *related to goodwill in* the consideration for a loss-making Spanish subsidiary, *which was previously written* off on acquisition. The goodwill had to be shown as Hartons' *holding in the subsidiary* was reduced to 25 per cent since the year end.

The company said Spanish labour law made the alternative of re-organising the subsidiary expensive and difficult.

Net interest charges were £2.57m (£2.99m). Borrowings stood at £11m (£14.8m) at the year end and the group is com*mitted to reducing them.*

The directors said the results were disappointing but concealed a significant improvement in the underlying position of the group in a harsh economic climate, which deteriorated in this period in continental Europe.

Restructured UK operations achieved an operating profit of £684,000 (losses £1m).

The French subsidiary, also restructured, incurred an operating loss of £500,000 (profit £30,000) on underlying turnover down 20 per cent. The company disposed of its resin business in June, which made *about a third of turnover.*

The Benelux operations made £100,000 (£90,000) at the operating level on turnover up 39 per cent.

SEP shares rise 5p as first half profits double

By Don Farrell

WITH THE progress in the first half and good prospects for the year as a whole, SEP Industrial Holdings, the general engineering group, is forecasting an increase in dividend.

Pre-tax profit for the six months ended March 31 1993 jumped from £378,000 to £883,000, and exceeded the figure for the whole of the previous year. The shares closed 5p higher at 28½p.

The interim dividend is *raised to 0.35p on the higher* capital (0.3p) and the total will be not less than 0.75p (0.65p).

The manufacturing division lifted profit from £87,000 to £234,000, which had added to the board's confidence in recovery prospects.

Distribution activity increased "quite noticeably" in recent weeks. Jaton Holdings, acquired in January, made a substantial contribution, with turnover of £4.13m and operating profit of £397,000.

Earnings per share for the half year came to 1.2p (0.7p).

Shareholders' funds at March 31 were estimated to have increased to £12.5m after the sale of Cediwal by the Belgian subsidiary, proceeds of the placing and open offer in January, and the surplus of Jaton's net assets over the purchase consideration.

Division shares off to good start with 96p close

By Gary Evans

SHARES in Division Group yesterday got off to a flying start with the price touching 107p, as dealings began following a placing at 40p per share. After opening at 79p, the shares closed the day at 96p.

Henry Cooke Lumsden, the Manchester stockbroker, placed 15.4m shares in Division, which makes "virtual reality" software and hardware for professional users, with 20 institutional investors and 450 private investors.

Market makers received 5 per cent of the issue, about 770,000, and the 20 institutions 70 per cent.

Division, established in 1989, *has developed a complete vir*tual reality system, suitable for a wide variety of applications, where the ability to operate is in three dimensions rather than the conventional two-dimensional systems which have been around for some years.

Sales have been made in Japan, north America and throughout Europe.

In its last full trading year, Division incurred a loss of *£100,000 on £1m turnover and* in the five months to March 1993 made a small profit of £19,000 on sales of £746,000.

Regent at 15p premium

IN THEIR first day's trading under a full market listing, shares in Regent Inns opened at 149p and touched 151p before closing at 150p, a premium of 15p on the 135p issue price.

Also, at the close of the accompanying open offer on May 15, valid acceptances from shareholders had been received in respect of 1.91m new ordinary shares, or 45.8 per cent of the 4.89m shares available under the offer.

Regent currently operates 38 non-themed public houses in London and the home counties and plans to expand to about 80 in the next five years.

In 1991-92 pre-tax profits were £974,000 (£512,000) and the group has forecast some £1.31m in the current year.

Sterling decline boosts BIT

OVER THE year ended March 31 1993 British Investment Trust has seen its net asset value rise by 20.7 per cent, principally from the effect on the stock market levels of the fall in the value of sterling in the second half.

The value per share was up from an adjusted 164p to 198p. Ordinary shareholders' funds stood at £616.9m, compared with £512.4m.

*On the income side, the con*tribution from investments fell to £34.4m (£35m) while interest and other income rose to £13.5m (£11.5m). Some of the companies within the portfolio cut their dividends and there was a decline on the UK side for the first time in many years.

With the outlook for income remaining uncertain in the current year, the directors have decided to maintain the BIT dividend at 4.5p for 1992-93; the final payment is 2.6p.

Revenue attributable to ordinary holders was £13.48m compared with £13.42m for earnings of 4.48p (adjusted 4.34p) per share.

I£1m loss at Ryan Hotels

RYAN HOTELS results for the 15 months to January 31 revealed that the group incurred pre-tax losses of I£1.1m (£1.09m) against a profit of I£975,085 (£959,000) for the year to October 31 1991. Turnover for the 15 months amounted to I£25.2m (I£19.4m for year).

Mr Conor McCarthy, chairman, said that as the additional three months, Novem*ber to January, is traditionally* the most difficult trading quarter, the loss before interest for that period of I£18,786 was encouraging. Interest charges for the 15 months were I£3.35m (I£1.72m).

Losses per share amounted to 2p (1.11p) and a final dividend of 0.5p makes a total of 1p (same for year).

Berry Birch rises 30% to £1.06m

BERRY BIRCH & Noble lifted pre-tax profit by 30 per cent in the year ended January 31 1993, and results in the current year show that growth is being maintained.

The group, which provides insurance, pension and financial planning services, is raising the dividend by 66 per cent; the final is 3.3p for a total of 5.3p (3.2p). Earnings per share worked through at 12.8p *(10.1p), a rise of 27 per cent.*

Turnover totalled £6.4m (£5.66m), operating profit came to £906,000 (£632,000) and the pre-tax balance was £1.06m (£816,000).

The directors said the results were achieved despite the recessionary climate and compared favourably with competitors.

F&C Eurotrust net assets rise

Foreign & Colonial Eurotrust net assets were 192.6p at March 31, compared with 167.5p a year earlier. At September 30 the figure had been 161.5p.

As usual net revenue for the six months to the end of March showed a loss of £371,000 (£184,000). Most European companies pay their dividends in the summer. Losses per share were 0.63p (0.31p).

Osprey buy-out claim countered

By Peter Pearse

MR STUART Duncan, chairman of the management team which has negotiated the £2.2m buy-out of the marketing services division of Osprey Communications, yesterday countered a *City claim on Friday* that his group was expected to make a loss in the current year.

Indeed Mr Duncan said: "The historical profits of the marketing services division have always been in the order of £500,000, and profit forecasts for the current year – as Osprey can confirm – will also be in line with this."

The buy-out company – Communications in Business Group – has the support of Montague Private Equity, part *of the HSBC Group, and the* Bank of Scotland. CBG consists of three companies – Bryan, Constantinidi & Brightwell, TOP Counsel and Communications in Business – which have operated side-by-side mainly in the leisure and travel areas. Clients here include Brittany Ferries, Texas Tourism, Bermuda Tourism and Stansted Airport, while non-travel clients include Costain and the City of Westminster.

The buy-out is one of a series of moves involving Osprey. *Conditional on the completion* of the disposal is the acquisition of SMS Communications Group, headed by Mr Jack Rubins. Osprey is also to launch a 1-for-3 rights issue to raise £1.3m net. Its shares rose from 32½p to 34p on the day.

Pilkington wins Chrysler contract

By Kevin Done,
Motor Industry Correspondent

PILKINGTON, the UK glassmaker, has won a five-year contract to supply automotive privacy glass to Chrysler, the US vehicle maker.

The deal is understood to be worth around $100m and covers the supply of a new product, Galaxsee, developed jointly by Pilkington in the UK and by Libbey-Owens-Ford, its 80 per cent owned US subsidiary.

Nippon Sheet Glass of Japan owns a 20 per cent stake in the US operation.

The privacy glass will be fitted in some Chrysler fourwheel drive leisure/utility vehicles such as the Grand Cherokee and in some of its minivan/people carrier vehicles such as the Chrysler Voyager/Dodge Caravan.

The glass will be manufactured at the Libbey-Owens-Ford plant near Toledo, Ohio.

Pilkington expects to market the product in Europe in particular in southern European countries.

Temptation of a safe, but undynamic investment

Michael Smith looks at Northern Ireland Electricity, whose pathfinder prospectus is published today

IMAGINE a company which was guaranteed fixed revenues on the bulk of its most profitable business, regardless of whether sales volumes went up or down. Investors looking for a safe, if undynamic, home for their funds would be sorely tempted to buy into it.

Next month they will be given the opportunity when the government sells off Northern Ireland Electricity, the last non-nuclear power company to remain in the UK public sector, for between £300m and £400m.

The guarantee of income stems from a regulatory regime which is among several factors setting NIE apart from the other electricity companies in the United Kingdom.

The differences – good and bad – will come under close examination in the next week or so as the more than 400,000 people and institutions who have registered an interest in the flotation decide whether to buy shares. A pathfinder prospectus on the sale will be published today.

Northern Ireland Electricity is what remains of the province's state electricity company following the disposal last year of four power stations to trade buyers for about £350m.

Like the 12 regional electricity companies (recs) in England and Wales it enjoys a monopoly to distribute power in the area it serves.

Unlike them, it also transmits the power, a function that in England and Wales is undertaken by the National Grid. In theory NIE could face more *competition than the recs in supply*ing electricity – that is buying it from generators and selling it on – but so far only one company, Northern Electric, has applied for a supply licence.

NIE's penetration among the province's 1.5m population is much more limited than is that of the regional companies in England and Wales because oil and coal supply 81 per cent of the fuels market. This gives the company headroom for volume expansion, particularly as there is as yet no competition from gas and the population is relatively young and consumer goods oriented.

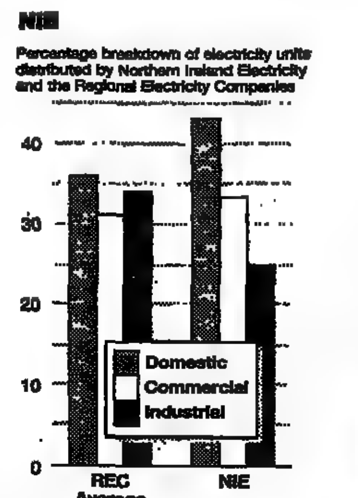
But the most significant difference between NIE and the regional electricity companies is in the way they are regulated. The Northern Ireland electricity system is not linked to that in Great Britain, or indeed the Irish Republic, and it is regulated separately.

Whereas the recs are negotiating with Ofer, their regulator, on changes to formulae influencing supply profits and will soon discuss the more lucrative distribution business, NIE's formulae for the next four years are already established.

Dr Patrick Haren, chief executive, says this gives NIE more certainty. "We are further down the track," he says, pointing to the widespread belief that the reviews in England and Wales will follow examples set in the NIE regulation.

The most significant formula is that governing transmission and distribution, which provides more than 80 per cent of company operating profits. In an attempt to encourage energy conservation, Mr Geoff Horton, the Northern Ireland regulator, has introduced a system whereby he regulates *revenues rather than price per unit.*

Three quarters of total revenues are allowed to grow in real terms by 3.5 per cent annually but, for this three quarters, volume growth does not affect income. If volume growth



exceeds expectations NIE must reduce prices in the following year, but if volume growth falls short NIE can increase tariffs.

The effect is a highly secure revenue stream. Although this provides stability, it limits the advantages accruing from stronger volume growth than on the mainland. In addition it may take away an incentive for management to market aggressively, skills which may be needed later in the decade if British Gas decides to compete in the market on completion of a pipeline from the mainland.

Dr Haren says the advantage of the regulatory regime is that NIE must concentrate on costs to generate increased profits in transmission and distribution. "Recs can allow the economy to drive volume sales and profits. We have to be vigorous about

Patrick Haren: we have to be vigorous about cost management

cost management."

Jobs are an obvious target. In the last three years NIE has cut about 8 per cent of its workforce which now stands at about 3,700, but NIE still has six employees per thousand customers compared to the recs' 3.6. Although this is partly explained by the wide geographic base of NIE's operation, it leaves scope for further reductions as the company adopts the more rigorous practices of the private sector.

The City believes that Dr Haren is well qualified to lead the management in this period of change. Still only 42, he joined NIE from the Electricity Supply Board in Eire where he started as an engineer, but later switched to finance. Generally, the management at NIE is perceived as well balanced in age and experience. "They may not set the world alight but they are comparable with that at most recs and better than some," says one analyst.

In spite of inherent advantages they have at NIE, managers face two main challenges, one resulting from high capital expenditure needed over the next few years, the other from the political problems in Northern Ireland.

Problems associated with terrorism can be exaggerated. As Hoare Govett points out, the government practice is to replace assets in Northern Ireland which are damaged through terrorism. None the less terrorism has been and remains a threat; the headquarters of the NIE was bombed in the 1970s and the interconnector with Eire was severed following terrorist action.

Even if any attack on NIE had no impact on NIE's finances, it would be unlikely to leave *the share price* unscathed.

The other inherent problem at NIE stems from the province's remoteness and the age of the transmission system, half of which dates from the 1950s or earlier. NIE is likely to have to pay £110m for an interconnector to Scotland which is planned for mid-1990s.

Even without allowing for interconnector costs, Hoare Govett estimates capital expenditure to rise to £125m by 1995-6 from last year's £57m and *Barclays de Zoete Wedd*, NIE's financial adviser, says gearing could reach 65 per cent by 1996-7.

However, Hoare Govett believes real dividend growth should be similar to the recs in the long term.

NEWS DIGEST

Finsbury Smaller in fund raising

FINSBURY Smaller Companies Trust has announced that it is in discussion with S G Warburg Securities with a view to raising additional funds.

The investment trust believes that, as recovery develops, small company shares are likely to show higher levels of capital gain and dividend growth than large company shares.

The trust, formerly known as Lancashire & London, was the subject of a hostile bid from Anglo-Scandinavian in 1991. After beating off the bid, the trust, along with others associated with the empire of the *late Sir Walter Salomon*, was renamed. Cross-holdings in the group were also reduced.

Finsbury Smaller no longer has holdings in any of the rest of the group; however, Finsbury Trust and Ocean Wilsons retain holdings in Finsbury Smaller Companies, of 15.9 per cent and 9.4 per cent respectively.

Losses deepen at Jermyn Investment

Pre-tax losses at Jermyn Investment, the property investor, grew by £58,000 to £831,000 in the year to end-December. However a lower tax charge of £42,000, against £72,000 left losses per share lower at 45.06p, compared with 49.75p.

Net interest payable increased from £261,000 to £728,000, and there was a further write-down in the value of investments amounting to £302,000 (£650,000).

There is no dividend this year. A final of 1.5p was paid last time.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Berry Birch	fin	3.3§	July 9	2.2	5.3	3.2
Brit Invest Tst	fin	2.6	July 16	2.6	4.5	4.5
Jermyn Inv	fin	nil	-	1.5	nil	1.5
Lynx Holdings§	int	0.3	Aug 2	0.25	-	1
M&G Group	int	10	July 1	9	-	20
Ryan Hotels	fin	0.5‡	-	0.5	1☆	1
SEP Industrial	int	0.35†	Oct 2	0.3	-‡	0.65
Whitbread	fin	13	July 30	12.4	17.75	16.95

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Total of not less than 0.75p forecast. ‡Irish currency throughout. ☆ For 15 months period.

Hams beef up burger bars

Cathy Milton on Planet Hollywood, London's latest gourmet attraction

NO-ONE ever lost money underestimating the good taste of a burger eater, so there is some reason for Mr Robert Earl's quiet confidence that the London branch of his latest Planet Hollywood theme restaurant, which opened yesterday, will outstrip the success of the Hard Rock Café chain he helped build.

The four Planet Hollywood outlets sell burgers against a backdrop of movie clips, loud theme tunes, and other memorabilia including Charlie Chaplin's cane, Rocky's motorcycle and Judy Garland's dress from the Wizard of Oz. The Hard Rock Cafés feature rock memorabilia.

Mr Earl, 41, and partner Mr Keith Barish, the film producer, have put up most of the $40m cash behind the Planet Hollywood chain. Mr Sylvester Stallone, Mr Arnold Schwarzenegger and Mr Bruce Willis, the actors, are minority backers.

This, with the recent injection of Mr Earl's four other London restaurants into the Pelican Group and his seat on its board, marks his return to British business after five years in the US.

Theme food has become popular as punters drink less and must be tempted to eat more. Mr Earl expects the London Planet Hollywood, the fourth in the chain, will gross £15m a year. This he says would be about £3m more than the outfits he sees as his main competition – the Hard Rock Café, TGI Friday's and Terence Conran's Quaglino's.

He is considering flotation: "I miss the Stock Exchange. I like having institutional shareholders. I like having the ability to create new businesses through public funds – and success can be measured openly."

It looks like another chapter in the Earl success story. There is, however, a bit of gristle in the burger. Mr Peter Morton, co-founder of the Hard Rock chain and owner of all the Cafés in the western half of the US, is bringing $400m legal actions against Mr Earl and the Rank Organisation, which owns the eastern Hard Rocks.

Mr Morton argues that Rank and Mr Earl allowed Planet Hollywood to copy the Hard Rock motif illegally, and stole trade secrets when they both had duties to the jointly-owned Hard Rock licensing corporation which markets the lucrative trade mark.

Mr Morton declines to comment, but Mr Earl says that some of his claims have been thrown out: "He has successfully taken up a lot of my time, but these are basically bullshit allegations, and he hasn't produced any evidence."

Mr Earl has made a fortune selling hamburgers and hype. No doubt the burgers are 100 per cent meat, but Mr Earl no longer lives up to his nasty personal myth.

The native North Londoner who now lives in Orlando, Florida, is not the laugh-a-minute, name dropping, braggart, full of wild claims who cannot sit still. He thinks carefully before he speaks, and even his shirt is subdued: "You think this is loud? I think Paul Smith would be very upset to hear that."

He believes jealousy is behind the press jibes: "The more successful one is, you have to recognise I am going to get more and more unfavourable press – that is the nature of England."

The hype surrounding his business acumen is harder to assess. He has made millions. Earl watchers talk about a combination of luck, creativity, energy and an autocratic style.

He says: "I think I am pretty good at inspiring people. I can mix with anyone from royalty down to the kitchen porter. I also work about 14 or 15 hours a day. But I am lucky. Most people would not consider it work because of the excitement, the celebrity involvement."

Detractors prefer to remain nameless, but say there's a jackall behind the hype: "He often deals from behind a fax machine and usually his faxes are one-liners, very pointed, very abrasive. He cultivates the friend-to-celebrities image. You don't hear about the ruthless way he treats people."

One anonymous friend concedes: "Of course he doesn't always deliver. How can you possibly? But he's succeeded more often than most. The difference between him and the rest of us is that he picks up his luck and runs with it."

He certainly ran with his first company, President Entertainments, which floated in 1984 valued at £5.2m, and was the vehicle for theme restaurants in Britain and the US.

If, in common with many other companies in the 1980s it grew rapidly (from six to 65 restaurants) through acquisitions funded by rights issues, placings and paper deals, if earnings increased little more than half against quadrupled pre-tax profits, and if aspects of the balance sheet look a little adventurous from the perspective of the 1990s, well, in 1987 he sold it to Pleasurama, the casino and hotel operator for £53m.

Mr Earl agreed to run a new US subsidiary for Pleasurama and negotiated a contract which expired last year, reputedly yielding him a £30m profit-linked bonus.

Rank inherited Mr Earl and Hard Rock International through its 1990 takeover of Mecca (which had bought Pleasurama in 1988). It must now cough up the cash while Mr Earl and Mr Barish, who bought Rank out of Planet Hollywood, develop the rival.

Last night, at the lift-off party, Mr Robert Earl mixed with Hollywood royalty and perhaps the odd kitchen porter. He will be wishing on these earthbound stars to draw customers.

See Observer

Sylvester Stallone (left) and Robert Earl: confident they have hit upon a formula for success with Planet Hollywood

Plateau repeats its support for Dixon Motor

By Kenneth Gooding, Mining Correspondent

THE HOSTILE bid for Plateau Mining by Kingstream, a small Australian exploration company, closes on Thursday and both sides have sent communications to Plateau shareholders.

Kingstream says the rival proposal for Dixon Motor Holdings to reverse into Plateau would result in Plateau shareholders having "10 per cent of a motor dealership in the north of England which in 1992 had a turnover of £46m producing a net profit of only £250,000".

Its own offer however would give shareholders 22 per cent of a steel-making venture "ideally placed to serve the booming south-east Asian market and with a projected turnover in excess of £400m".

Plateau's board continues to recommend the Dixon deal and suggests that "the few selective statements that Kingstream make about the Dixon Group give a misleading impression.

"Dixon has a proven UK-based business, is consistently profitable and has always been in a position to pay dividends.

"On the basis of its published accounts, Kingstream has had no profits, has no net cash and has not paid dividends."

Plateau says the Dixon proposals coupled with a disposal to Delta Gold, the Australian mining group, are worth in the region of 7.6p a share, compared with Kingstream's all-paper offer worth, at best, 4.8p.

ADT makes $26m for first quarter

ADT, a leading provider of electronic security services and vehicle auction services with operations in North America, the UK and continental Europe, announced net income of $26.2m (£17m) for the quarter ended March 31.

That compared with $42.4m previously, which included unusual items and other non-recurring net gains of $23.3m.

Net sales for the 1993 period were 13 per cent ahead at $330.4m and operating income rose 11 per cent to $45.9m.

Mr Michael Ashcroft, chairman and chief executive, said the results showed that the year had started according to plan with the electronic security services and auction service businesses performing in line with expectations.

Primary earnings per common share for the quarter were 20 cents (34 cents).

Lynx back in profit at midterm

A sharp turnround was achieved by Lynx Holdings, the USM-quoted computer services and leisure products company, with a pre-tax profit of £105,000 for the six months to March 31 compared with a deficit – including exceptional losses of £131,000 – of £258,000 for the corresponding period last year.

Mr RA Pinnington, chairman, said the performance of the radio communications and computer systems and software businesses had been ahead of expectations in the first half, with a particularly large increase in business being experienced by the radio communications operation.

Earnings for the half year were 0.83p against losses of 1.68p, and the interim dividend goes up from 0.25p to 0.3p. Turnover for the period was £4.72m (£3.23m restated).

Changes to FT London Share Service statistics

WITH EFFECT from today readers of the London Share Service pages will start to notice a capital "N" against the names of some companies.

The symbol indicates that the version of the company's earnings used in the FT's price:earnings ratio and other statistical calculations have been changed to the "headline earnings" formula devised by a sub-committee of the Institute for Investment Management & Research (IIMR) and proposed in draft form in early March.

The FT has chosen the formula proposed by IIMR because it represents the broadest available consensus on a "single number" treatment of earnings. Although still subject to final review it constitutes the considered response of the institutional investment community to the adoption by the Accounting Standards Board of Financial Reporting Standard 3 on corporate earnings (FRS 3).

UK companies will not be required to report their results in line with FRS 3 until after June 22. Many have already done so, however, and the Financial Times has been taking full account of this for the past three months in its company reporting.

We believe the number of companies complying with FRS 3 is now large enough to justify using a new basis for earnings wherever it is required for statistical purposes.

The aim of the IIMR headline earnings formula is to include a company's actual activities during the reporting period, including those activities which have been with the company only for part of the period. Key features are:

- All trading profits/losses are included in the earnings number. Items which are abnormal in size or nature are included but should be flagged.
- Profits and losses on the sale of fixed assets or of businesses should be excluded. This does not apply to assets acquired for resale, such as marketable securities.
- Profits and losses arising in activities discontinued at some point in the period, or in activities acquired at some point in the period, should remain in the earnings figure. Costs of eliminating a discontinued operation, or of making an acquisition, are excluded.

Although it will be surprising if we do not encounter difficulties with some individual companies' figures, we are confident that the IIMR headline earnings formula will provide a factual and robust basis for the statistical calculations on which FT readers rely.

Further information on the FT's treatment of earnings is available from The Manager, FT Statistics, One Southwark Bridge, London SE1 9HL.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, May 17, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	69.25	84.7423	40.0805	58.1269
Albania	(Lek)	169.48	110.535	68.3968	88.2366
Algeria	(Dinar)	34.00	22.1787	13.7235	19.8721
Andorra	(Fr Fr)	8.3400	5.4403	3.3662	4.8843
	(Sp Peseta)	188.85	123.19	76.226	110.6
Angola	(New Kwanza)	6264.35	4086.38	2528.57	3660.44
Antigua	(E Carr $)	4.1595	2.7133	1.6790	2.436
Argentina	(Peso)	1.5395	1.0042	0.6213	0.9016
Aruba	(Florin)	2.7420	1.7886	1.1067	1.6056
Australia	(Aus $)	2.1930	1.4296	0.8847	1.2837
Austria	(Schilling)	17.418	11.36	7.0292	10.1991
Azores	(Port Escudo)	238.25	156.414	96.1654	139.531
Bahamas	(Bahama $)	1.5330	1	0.6187	0.8978
Bahrain	(Dinar)	0.58	0.3783	0.2341	0.3396
Balearic Is	(Sp Peseta)	188.85	123.19	76.226	110.6
Bangladesh	(Taka)	61.1140	39.8658	24.6675	35.7918
Barbados	(Barb $)	3.0969	2.0212	1.2508	1.8146
Belgium	(Belg Fr)	50.80	33.1379	20.5045	29.751
Belize	(B $)	3.0810	2.0097	1.2436	1.8043
Benin	(CFA Fr)	417.00	272.016	168.315	244.217
Bermuda	(Bermudian $)	1.5330	1	0.6187	0.8978
Bhutan	(Ngultrum)	48.0790	31.3628	19.4062	28.1575
Bolivia	(Boliviano)	6.4980	4.2364	2.6207	3.8026
Botswana	(Pula)	3.6115	2.3558	1.4577	2.115
Brazil	(Cruzeiro)	56835.50	37074.7	22940.7	33285.5
Brunei	(Brunei $)	2.4865	1.6219	1.0036	1.4562
Bulgaria	(Lev)	37.88	24.7097	15.2896	22.1844
Burkina Faso	(CFA Fr)	417.00	272.016	168.315	244.217
Burma	(Kyat)	9.4750	6.1806	3.8244	5.549
Burundi	(Burundi Fr)	363.50	237.117	146.72	212.884
Cambodia	(Riel)	6391.75	3817.12	2176.29	3157.89
Cameroon	(CFA Fr)	417.00	272.016	168.315	244.217
Canada	(Canadian $)	1.9565	1.2775	0.7905	1.1469
Canary Is	(Sp Peseta)	188.85	123.19	76.226	110.6
Cp Verde	(CV Escudo)	114.30	74.5596	46.1352	66.9399
Cayman Is	(CI $)	1.3095	0.8542	0.5285	0.7669
Cent.Afr. Rep	(CFA Fr)	417.00	272.016	168.315	244.217
Chad	(CFA Fr)	417.00	272.016	168.315	244.217
Chile	(Chilean Peso)	622.75	406.23	251.362	364.714
China	(Renminbi Yuan)	8.7640	5.7168	3.5374	5.1326
Colombia	(Col Peso)	1307.90	853.164	527.911	765.974
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gambia	(Dalasi)	13.0945	8.5417	5.2853	7.6686
Germany	(D-Mark)	2.4775	1.6161	1	1.4509
Ghana	(Cedi)	926.85	604.664	374.147	542.87
Gibraltar	(Gib £)	1.00	0.6523	0.4036	0.5856
Greece	(Drachma)	335.80	219.045	135.54	196.662
Greenland	(Danish Krone)	9.5125	6.2051	3.8395	5.571
Grenada	(E Carr $)	4.1595	2.7133	1.6789	2.436
Guadaloupe	(Local Fr)	8.3400	5.4403	3.3662	4.8843
Guam	(US $)	1.5330	1	0.6187	0.8978
Guatemala	(Quetzal)	8.5830	5.6990	3.4643	[illegible]
Guinea	(Fr)	1251.35	816.275	505.086	732.855
Guinea-Bissau	(Peso)	7702.50	5024.46	3108.98	4510.98
Guyana	(Guyanese $)	192.55	125.603	77.7194	112.767
Haiti	(Gourde)	18.4580	12.0407	7.4616	10.8253
Honduras	(Lempira)	9.3275	6.0844	3.7648	5.4626
Hong Kong	(HK $)	11.9085	7.7567	4.8050	6.973
Hungary	(Forint)	135.50	88.3887	54.6922	79.3567
Iceland	(Icelandic Krona)	97.8680	63.8369	39.5003	57.313
India	(Indian Rupee)	48.0790	31.3626	19.4062	28.1575
Indonesia	(Rupiah)	3198.80	2087.35	1291.58	1874.03
Iran	(Rial)	2592.0	1643	1046.22	1518.01
Iraq	(Iraqi Dinar)	0.5935	0.3871	0.2395	0.3475
Irish Rep	(Punt)	1.0155	0.6624	0.4099	0.5947
Israel	(Shekel)	4.2155	2.7498	1.7015	2.4688
Italy	(Lira)	2265.50	1478.47	914.834	1327.38
Jamaica	(Jamaican $)	34.20	22.3091	13.8042	20.0292
Japan	(Yen)	170.75	111.383	68.9202	100
Jordan	(Jordanian Dinar)	1.06	0.6914	0.4279	0.6207
Kenya	(Kenya Shilling)	97.4366	63.5592	39.3286	57.0636
Kiribati	(Australian $)	2.1920	1.4296	0.8847	1.2837
Korea North	(Won)	3.3120	2.1604	1.3368	1.9396
Korea South	(Won)	1233.00	804.305	497.679	722.108
Kuwait	(Kuwaiti Dinar)	0.4635	0.3023	0.187	0.2714
Laos	(New Kip)	1108.15	723.516	447.589	649.575
Lebanon	(Lebanese £)	2674.60	1744.68	1079.56	1566.39
Lesotho	(Maloti)	4.8675	3.1861	1.9727	2.8623
Liberia	(Liberian $)	1.5330	1	0.6187	0.8978
Libya	(Libyan Dinar)	0.4545	0.2964	0.1834	0.2661
Liechtenstein	(Swiss Fr)	2.2525	1.4693	0.9091	1.3191
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	41.1180	26.8219	16.5965	24.0806
Panama	(Balboa)	1.5330	1	0.6187	0.8978
Papua New Guinea	(Kina)	1.4920	0.9732	0.6022	0.8737
Paraguay	(Guarani)	2649.65	1728.41	1069.49	1551.77
Peru	(New Sol)	3.08	2.0091	1.2431	1.8038
Philippines	(Peso)	40.6770	26.5342	16.4185	23.8225
Pitcairn Is	(£ Sterling)	1.00	0.6523	0.4036	0.5856
	(NZ $)	2.8825	1.8514	1.1455	1.6621
Poland	(Zloty)	25802.0	16831.1	10414.5	15111
Portugal	(Escudo)	238.25	155.414	96.1654	139.531
Puerto Rico	(US $)	1.5330	1	0.6187	0.8978
Qatar	(Riyal)	5.6065	3.6596	2.2625	3.2836
Reunion Is. de la	(Fr)	8.3400	5.4403	3.3662	4.8843
Romania	(Leu)	945.870	617.000	381.784	553.95
Rwanda	(Fr)	220.95	144.129	89.1826	129.4
St Christopher	(E Carr $)	4.1595	2.7133	1.6789	2.436
St Helena	(£)	1.00	0.6523	0.4036	0.5856
St Lucia	(E Carr $)	4.1595	2.7133	1.6789	2.436
St Pierre	(French Fr)	8.3400	5.4403	3.3662	4.8843
St Vincent	(E Carr $)	4.1595	2.7133	1.6789	2.436
San Marino	(Italian Lira)	2265.50	1478.47	914.834	1327.38
Sao Tome	(Dobra)	369.70	241.161	149.223	216.515
Saudi Arabia	(Riyal)	5.7765	3.7681	2.3316	3.383
Senegal	(CFA Fr)	417.00	272.016	168.315	244.217
Seychelles	(Rupee)	7.8565	5.1249	3.1711	4.6011
Sierra Leone	(Leone)	831.85	542.629	335.762	487.174
Singapore	($)	2.4865	1.6219	1.0036	1.4562
Slovakia	(Koruna)	43.8[illegible]	28.6268	17.7134	25.7013
		42.471	27.7038	17.1422	24.8736
Slovenia	(Tolar)	166.2570	108.517	67.1471	97.4272
Solomon Is	($)	4.9080	3.2082	1.9802	2.8732
Somali Rep	(Shilling)	4036.10	2632.81	1629.1	2363.75
South Africa	(Rand)	4.8875c	3.1881	1.9727	2.8623
		7.2045f	4.6996	2.9079	4.2193
Spain	(Peseta)	188.85	123.19	76.226	110.6
Spanish Ports in N Africa	(Sp Peseta)	188.85	123.19	76.226	110.6
Sri Lanka	(Rupee)	73.5120	48.0192	29.7122	43.1109
Sudan Rep	(Dinar)	20.0265	13.0636	8.0833	11.7285
Surinam	(Guilder)	2.75	1.7939	1.1099	1.6105
Swaziland	(Lilangeni)	4.8875	3.1881	1.9727	2.8623
Sweden	(Krona)	11.2775	7.3562	4.5499	6.6017
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

N Sea oil price slide continues

By Deborah Hargreaves

NORTH SEA oil prices fell a further 10 cents yesterday, adding to a 60-cent downturn since the middle of last week as negative sentiments reasserted themselves amongst traders. The price of North Sea Brent crude for July delivery slipped back to $18.40 a barrel yesterday from $18.48 on Friday.

The market has been kept in broad equilibrium for the past month as pessimistic and optimistic reports have tended to cancel each other out without affecting the price. But traders have adopted a more gloomy tone in the past few days while demand has remained erratic.

Some traders are beginning to doubt the strength of the US recovery and are becoming uncertain about oil demand in the peak driving season – the summer months.

At the same time news last week of Kuwait's plans to push for a higher quota at the next meeting of the Organisation of Petroleum Exporting Countries has led to fears that Opec's current production discipline could be jeopardised.

Some North Sea platforms will be shutting down in the next few months for summer maintenance programmes. This can lead to temporary tightness in the Brent market and can push prices higher. But higher prices will also depend on increasing demand.

Refiners have been in the market buying supplies in recent weeks, but their purchasing patterns have been erratic and are currently not strong enough to keep prices above $19 a barrel.

Rhodium market plunge undermines platinum metals

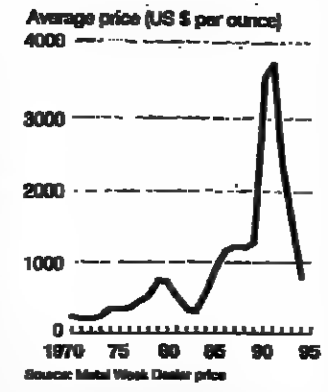
By Kenneth Gooding, Mining Correspondent

SOUTH AFRICAN platinum group metals producers face having to cut output and shelve expansion projects because of the collapse in rhodium's price, suggests Johnson Matthey, the world's biggest platinum marketing group.

The South Africans, who last year produced 73.5 per cent of the western world's rhodium supply, are unlikely to be compensated for the steep drop in revenue from rhodium by the recent surge in the price of platinum, which has been buoyed up by activity in the gold market.

Mr Keith Green, operations director, precious metals division, for Johnson Matthey, said that in 1990 rhodium brought the South African platinum group metal producers revenue totalling US$2.2bn. This year JM projects that rhodium revenue will fall to $1.7bn.

Rhodium



Source: Metal Week Dealer price

Worries about production problems at Rustenburg Platinum's new refinery drove the price of rhodium, an essential material for some automotive catalysts, up from $1,280 in November 1989 to a record $7,000 a troy ounce in July 1990. Consequently, in 1990 rhodium contributed 45 per cent more revenue to the South African platinum group metal producers than did platinum.

About 87 per cent of rhodium is used for automotive anti-pollution catalysts. High prices and weakening car sales caused the Japanese automotive companies in 1992 to use rhodium from strategic stocks accumulated over previous years and they virtually withdrew from the market.

"Industrial consumers also had surplus rhodium as a result of thrifting and recovery programmes put into operation after the escalation of the rhodium price in 1990," JM points out in its annual survey of the platinum group metals market.

Meanwhile, South African mines attempted to maximise revenues and their total rhodium output rose by 58,000 ounces to 278,000 ounces. This outweighed a reduction in Russian deliveries to the West, left total western supplies up by 30,000 ounces at 378,000 ounces and pushed the market into a surplus of 54,000 ounces.

Rhodium's price was back at $1,850 at the end of 1992. It retreated to $1,400 an ounce in March this year, since when it has fallen below $800.

Mr Green said at the launch of JM's platinum metals survey in London that it took only a very small surplus of rhodium to depress prices. South African producers were having to "run fast to stand still" and they faced considerable financial pain if platinum remained about $360 an ounce and rhodium $900 an ounce.

Japanese car producers also dug into their stocks of platinum last year and this caused a dip in purchases by the world automotive industry, from 1.56m ounces to 1.55m. Mr Jeremy Coombes, author of the annual survey, estimated that the Japanese car makers had reduced their platinum stocks from 18 months of supply to about six months.

Other points from the survey were:

- Demand for platinum last year fell by 6 per cent to 3.8m ounces, mainly because of lower investment and industrial purchases.
- Supplies of newly mined platinum fell 8 per cent to 3.82m ounces following a sharp drop in Russian sales.
- Supply exceeded demand for the third successive year, by 20,000 ounces, down from 120,000 ounces in 1991.
- South African supplies were stable at 2.75m ounces. Russian shipments to the West fell by nearly a third to 750,000 ounces.
- Platinum's price last year averaged $360 an ounce, down from $376 in 1991. This year it is likely to range between $330 and $390 an ounce, "unless an unexpected event occurs".

Platinum 1993 Review: Free from Johnson Matthey, 78 Hatton Garden, London EC1N 8JP, UK.

Tin producing countries in quandry over languishing prices

By Kieran Cooke in Kuala Lumpur

OFFICIALS OF the Association of Tin Producing Countries finished a meeting here at the weekend confused about what action to take to try to shore up world tin prices and prevent further hardship in the industry.

The association groups Australia, Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zaire, together accounting for about 60 per cent of world tin production. In 1981 tin was fetching between M$32 (US$12) and M$34 a kilogram on the Kuala Lumpur tin market; they are now languishing close to the M$14-a-kilogram level.

In 1985 the International Tin Council's buffer stock operations collapsed and more than 100,000 tonnes of stockpiled tin was released on to the market. The industry has never recovered.

In 1987 the ATPC introduced an export quota scheme to try to control world supply and bolster prices. But prices have refused to rise. Because of continued low prices members exported a total of 76,578 tonnes last year – 12.1 per cent below the total amount allowed within the scheme.

At the same time world tin stocks have increased. The association estimates that world tin stocks stood at 40,000 tonnes at the end of March 1993, up from 38,200 tonnes at the end of last year. Originally it had been hoped to bring global stocks down to 20,000 tonnes by the end of 1993.

There is widespread frustration at the situation. Mr Redzwan Sumun, the ATPC's executive secretary, said that members were now debating whether it was worthwhile carrying on with the export quota scheme. "The stock level is nowhere near our estimates. . . it makes our export curbs meaningless."

The association has put forward various reasons for the continued depressed state of the tin market. The recession in several industrialised countries has resulted in a big drop in demand: in 1991 global tin demand fell by more than 14,000 tonnes. The ATPC says demand was reduced further last year – from an estimated 176,000 tonnes in 1991 to 172,000 tonnes.

Meanwhile a number of countries not in the ATPC – Peru, Burma, Vietnam and Portugal – have been increasing their exports. The former Soviet Union, until recently a large tin importer, is desperate for foreign exchange and has become a tin exporter.

The problems of the tin market have also been aggravated by growing Chinese exports.

China and Brazil are now the world's two top tin producers. While not ATPC members, both countries have agreed to observe quotas set by the organisation: Brazil was set an export quota of 24,000 tonnes last year, while China was allotted 15,000 tonnes. The ATPC says Brazil's tin exports were 19,900 tonnes last year – nearly 30 per cent below its quota.

"Only China was estimated to have exported in excess of the agreed amount," says the ATPC. Exactly how much tin China is now exporting is not clear: it refuses either to confirm or deny that it is breaking its quota. But some ATPC members estimate that China exported more than 30,000 tonnes of tin last year.

"China is one of the main causes of low tin prices," says a metals trader. "It produces at costs well below countries like Malaysia and doesn't seem to care too much about the general state of the market."

The US is the other focus of discontent among the tin producing countries. The US Defense Logistics Agency (DLA) is selling off increasing amounts of its substantial tin stockpile. The ATPC says that the DLA sold 6,200 tonnes in 1991 and 8,800 tonnes last year.

Tin producers claim that such disposals are doing further damage to the tin market. The ATPC is urging the DLA to enter into a long term disposals programme to minimise market disruption. But traders say there are indications that the DLA is intent on disposing of a further 12,000 tonnes of tin this year.

There seems little hope for relatively high cost producers like Malaysia, until recently the world's leading tin producer. The country's tin miners say that present price levels mean that they are producing at a loss. The industry has shrunk in recent years: last year Malaysia produced 14,339 tonnes of tin-in-concentrates, down from 20,710 tonnes a year earlier.

One of the country's biggest tin mining companies, Malaysia Mining Corporation, announced earlier this month that it was pulling out of the business. As a result the country's total production this year is likely to fall to well under 10,000 tonnes.

The optimists say that as the industrialised world climbs out of recession then tin demand is bound to increase and prices will rise. The pessimists disagree: they say that even if demand increases, non-ATPC maverick miners have shown they can make nonsense of efforts to control supplies.

Mexico seen buying more US meat under Nafta

By David Dodwell, World Trade Editor

US LIVESTOCK farmers will boost their exports of meat and animal products to Mexico significantly if the North American Free Trade Agreement is ratified, a Texas University study predicts.

At a time of fierce debate in the US over who will gain and who will lose under the ambitious agreement, a team of farm economists at the Texas A & M University predicts a five-fold increase in beef and veal exports from the US to Mexico over the decade ahead, with a three-fold rise in pork sales and a doubling in poultry exports.

Exports of livestock products like hides, dairy products and fats would also increase, with US grain farmers selling an additional 430,000 tonnes of grain as poultry and cattle feed.

In the past, Mexico's farm sector has been heavily protected from foreign competition, mostly by non-tariff barriers. As a result, imports are comparatively small – for example, barely more than 1 per cent of beef consumed in Mexico is imported.

Liberalisation under the Nafta is expected to provide a double benefit to US livestock farmers – not only will barriers to their exports fall but rising standards of living in Mexico are forecast to boost meat consumption significantly.

US farmers already account for 85 per cent of Mexico's livestock and meat product imports, with exports valued at $558m in 1990. The preferential access under the Nafta is expected to raise this share to 90 per cent.

The US has maintained a large surplus in its trade in livestock products over the past decade, rising from $137m in 1980 to a $200m in 1990, the study shows. Live animal exports to Mexico peaked at $163m in 1989, accounting for almost one fifth of the US total.

The study assumes meat prices in Mexico will fall by 5 per cent as a result of the Nafta, with incomes rising by 5 per cent. It estimates that this will boost US beef and veal exports from 26,000 tonnes in 1990 to 129,000 tonnes by the end of the decade, with pork up from 18,000 to 63,000 tonnes, poultry up from 44,000 to 113,000 tonnes, and mutton and lamb up from 8,000 to 12,000 tonnes.

Free Trade Impacts on US-Mexico Meat Trade, by C. Parr Rosson, Ernest E. Davis, Amy Angel and Eduardo Segarra, in Agribusiness, vol 9, no. 2. Available from John Wiley & Sons, 605 Third Avenue, New York 10158.

WORK WAS resumed at Danish slaughter houses yesterday after they were paralysed by a three-week strike of 16,000 workers, writes Hilary Barnes in Copenhagen.

The workers won the right never to work more than 37 hours a week but they expect to be doing substantial overtime in the next few weeks to make up the back log of pigs waiting for slaughter caused by the strike.

China appears ready to remove barriers against foreign miners

By Tony Walker in Beijing

AFTER YEARS of procrastination, China at last appears willing to begin dismantling nationalistic barriers against foreign involvement in its mining sector, including gold prospects.

Participants in a conference held in Beijing last week, among them representatives of some of the world's biggest mining houses, came away convinced that change was in the wind; although it was unclear how quickly China would replace existing legislation.

Mining company representatives, used to sterile discussion on the need for liberalisation, were surprised when, on the eve of the conference, Chinese officials, responding to international pressure, halved the rate of gold royalties in draft legislation.

While the proposed 10 per cent royalty rate is still outrageously high by international standards, especially compared with those in developing countries where rates of between 2 and 3 per cent apply, apparent Chinese flexibility was regarded as a good sign.

Chinese regulations at present ban foreign companies from involvement in the exploitation of gold reserves, but China is anxious to secure capital and perhaps more important the advanced minerals treatment technology required to exploit this lucrative area.

Mr Graham Reid, a senior manager of CRA of Australia, said that although the Chinese had a "fair way to go" in their efforts to attract foreign miners, he had found attitudes displayed by officials of the Ministry of Geology and Mineral Resources "very encouraging".

He noted that Chinese officials responded with alacrity to suggestions by the foreign participants, who included representative of Newmont Mining of the US, Cominco of Canada, De Beers of South Africa, and BHP of Australia; although he also observed that substantial change to legislation would require the approval of the Chinese parliament.

Among the more positive developments was a Chinese undertaking to study a proposal that the country should adopt a model "contract of work" allowing prospective mining ventures to be dealt with on a case-by-case basis, thus facilitating much greater flexibility.

Mr Reid, CRA's general manager for exploration, noted that this approach was operating successfully in parts of Africa and in Indonesia – a contract of work's main appeal is that it overrides existing laws – where it had proved an effective means of "kick starting" mining exploration and development.

Chinese mining officials have made it clear that they are under pressure to boost activity in the mining sector, which is lagging far behind the rest of the economy. China's economic boom has heightened demand for a whole range of minerals, both ferrous and non-ferrous.

Mr Reid said that foreign miners would, however, proceed cautiously and would want to be sure that any new mining regulations were consistent with domestic laws. "Western mining companies like laws that are drafted with particularity and clarity," he observed.

Western miners were also likely to insist that disputes be settled by international arbitration and not within the Chinese system. This was a concept that was fairly alien to the Chinese.

Foreign mining representatives also pressed the Chinese last week on the need to make available larger areas for exploration, but at the same time urged regulations that would oblige exploration companies to surrender prospective areas that were not being exploited, thus ensuring "turnover".

Other issues that preoccupied the conference, jointly organised by the United Nations, included access to foreign exchange, and guaranteed unlimited rights to export product. The Chinese were also pressed to clarify a tax regime that might apply to new mining ventures

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD was fixed at $369.25 a troy ounce on the London bullion market yesterday afternoon, its highest level since December 1991 and up from the morning setting of $367.85. Dealers said the market had consolidated last week's gains and was expected to move higher. They noted that it was an absence of selling more than steady buying that was underpinning prices. Some had been expecting producers to sell into the market once it came close to $370, and have been puzzled by their absence so far. Gold could well break through the $370 barrier sometime this week, dealers said, which could then trigger further rises on option-related buying. **BASE METAL** prices closed above earlier lows on the LME, ending mixed, as markets pondered the next move. Dealers said fresh losses were seen in zinc, nickel and lead, while copper at one stage appeared to be heading back towards recent 5½-year lows. Sentiment is fragile, and when selling emerges, buyers are conspicuous by their absence. Technical factors helped to brake the falls after the heavy losses sustained on Friday.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$15.95-6.04z	-0.03
Brent Blend (dated)	$18.20-8.23	-.115
Brent Blend (Jul)	$18.39-8.40	-0.08
W.T.I (1 pm est)	$19.75-9.77z	-0.07
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$210-212	-1
Gas Oil	$173-174	+2
Heavy Fuel Oil	$71-73	-1
Naphtha	$182-184	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.20	+0.40
Silver (per troy oz)♣	445.5c	+1.0
Platinum (per troy oz)	$386.5	+4.0
Palladium (per troy oz)	$118.85	+0.90
Copper (US Producer)	87.0c	-1.5
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	14.02r	-0.16
Tin (New York)	254.0c	-3.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	140.40p	+1.26*
Sheep (live weight)†♠	134.47p	-1.27*
Pigs (live weight)†	92.31p	+1.88*
London daily sugar (raw)	$324.9	+9.1
London daily sugar (white)	$310.0	+3.3
Tate and Lyle export price	£324.5	+5.0
Barley (English feed)	£113.0v	
Maize (US No. 3 yellow)	£166.5	
Wheat (US Dark Northern)	Unq	
Rubber (Jun)♥	57.00p	-0.25
Rubber (Jul)♥	57.25p	-0.25
Rubber (KL RSS No 1 May)	208.5m	
Coconut oil (Philippines)§	$425.0y	[illegible]
Palm Oil (Malaysian)§	$367.5u	-2.5
Copra (Philippines)§	$277.5	
Soyabeans (US)	£172.0z	
Cotton "A" index	60.85c	
Wooltops (64s Super)	378p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Aug/Sep u-Jun z-July. v-Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago. † provisional prices.

SUGAR – London FOX			($ per tonne)
White	Close	Previous	High/Low
Aug	310.00	314.50	315.00 309.00
Oct	306.00	308.50	310.00 303.00
Dec	304.30	302.00	305.50 303.00
May	303.30	306.00	305.00 301.40
May	305.20		306.00 304.90

White 873 (1285) Paris- White (FFr per tonne): Aug 1696.82 Oct 1679.35

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Jul	18.39	18.41	18.53 18.36
Aug	18.52	18.53	18.63 18.48
Sep	18.61	18.64	18.72 18.60
Oct	18.70	18.71	18.70 18.66
Nov	18.76	18.79	18.76
IPE Index	18.60	18.76	18.60

Turnover 14430 (54863)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Jun	170.50	170.00	171.00 170.00
Jul	170.00	170.50	171.25 170.50
Aug	172.25	172.75	173.25 172.25
Sep	174.25	174.50	175.25 174.25
Oct	177.25	177.50	178.00 177.25
Nov	179.75	179.75	180.00 179.25
Dec	181.50	181.50	181.50
Jan	182.00	181.75	182.00

Turnover 9847 (19710) lots of 100 tonnes

TEA
There was improved demand for brighter teas, reports the Tea Brokers' Association. Landed best east Africans and coloury medium sorts were fully firm and often 3-5p dearer, particularly PD's. Plainer descriptions were irregularly easier. Ceylons met less demand at easier rates. Offshore: brighter Kenya and Zimbabwe teas were often 5-8p dearer but plainer Africans met selective demand at often easier rates. Quotations: quality 165p/kg, good medium 124p/kg, medium 110p/kg, low medium 87p/kg. The highest price realised this week was 167p for a Rwanda pf.1.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
May	644	653	665 645
Jul	667	677	678 665
Sep	684	693	694 680
Dec	705	714	716 702
Mar	727	735	736 725
May	741	745	750 740
Jul	754	761	756
Sep	766	774	766
Mar	810	819	817 816

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

LONDON METAL EXCHANGE					(Prices supplied by Amalgamated Metal Trading)
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 60,548 lots
Cash	1124-5	1124-5	1117.5	1117-7.5	
3 months	1147-7.5	1147-8	1150/1137	1140-0.5	1149-50 183,718 lots
Copper, Grade A (£ per tonne)					Total daily turnover 73,959 lots
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON BULLION MARKET		
[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls			
	Latest	Previous	High/Low
Jun	53.55	53.50	53.75 53.35
Jul	54.20	54.31	54.20 54.05
Aug	55.05	55.15	55.10 54.80
Sep	56.00	56.18	56.10 55.85
[illegible]	[illegible]	[illegible]	[illegible]

New York

GOLD 100 troy oz.; $/troy oz.			
	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel			
	Close	Previous	High/Low
May	600/4	602/4	602/0 598/6
[illegible]	[illegible]	[illegible]	[illegible]

Shares unhurt by rights issue fears

By Terry Byland,
UK Stock Market Editor

THE UK stock market moved confidently yesterday into a week which will be featured by important data on the UK economy as well as by trading statements from a number of Britain's leading companies. While trading levels remained unexciting, the blue chip stocks made further progress and support for the second line issues took the FT-SE Mid 250 Index near to its peak again.

The stock market's satisfaction with its progress towards the middle of its current trading range was undimmed by the general expectation that today may bring a rights issue from British Airways in the £500m-plus range, perhaps accompanied by fund-raising in the brewery sector.

Nor did the market seem unduly dismayed by suggestions in the weekend press that the Bank of England's Quarterly Bulletin, published today, will argue strongly against any cut in base rates by its political masters. The focus of attention this week is likely to be the disclosure on Thursday of the latest statistics on UK unemployment, earnings and wage costs.

After drifting down in early trading to test the Footsie 2,840 area, the market then steadied and, helped by a squeeze in stock index futures, climbed steadily throughout the rest of the session. But the big players were mostly on the sidelines.

The UK market was driven for much of the day by demand for blue chip pharmaceutical stocks as the prolonged cloud thrown over the sector by worries about the Clinton administration's plans for US medical care was lifted somewhat by recommendations by a leading New York investment bank.

Trading in both sides of the new ICI group continued as fund managers position themselves ahead of the formal demerger on the first day of June.

Among the domestically orientated of the London market, retail and store shares found buyers as sector analysts began to look for good news on the progress of the UK economic recovery when Marks and Spencer, the leading high street retailer, reports progress today.

Although checked by a slow opening on Wall Street, where the Dow Average was about two points off in London trading hours, the UK market closed very near the best level of the day.

The final reading showed the FT-SE 100 Index at 2,858.1 for a gain on the day of 11.1 points. The index has been at 2,867 in the past week in a trading range believed to extend to around 2,980.

Seaq volume dipped to 533.7m shares from the 620m recorded on Friday, when retail business remained just above the £1bn mark now seen as the market's daily norm. At these volume levels, London's stockbrokers are finding comfortable profits, while market-makers also have room for manoeuvre.

Non-Footsie business, boosted by heavy activity in a new issue stock, constituted around 66 per cent of yesterday's Seaq total, against daily averages of around 62 per cent.

● From today, the Financial Times will be progressively changing the way it calculates price/earnings ratios in the London Share Service pages to make use of the earnings formula devised by a sub-committee of the Institute for Investment Management & Research (IIMR). Details, page 21 (UK companies).

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	9,800	65	
Abbey National†	5,100	418	-4
Albert Fisher	347	67	
Allied-Lyons†	1,100	543	-2
Amstrad	1,300	32	-1
Anglian Water†	1,400	472	-7
Argos	34	303	+½
Argyll Group†	2,100	319	
Arjo Wiggins†	1,300	179	-4
Ass. Brit. Foods†	191	477	-3
Ass. Brit. Ports	196	414	-1
BAA†	642	747	-3
BAT Inds.†	1,200	[illegible]	
BET	1,400	101	
BICC	612	371	+6
BOC†	882	[illegible]	+5
BP†	3,200	316½	-4
BPB Inds.	205	236	+1
BT†	6,100	417½	+3
BTR†	1,800	587	+½
Bank of Scotland†	1,700	136	-1
Barclays†	2,500	438	+4
Bass†	506	533	+8
Blue Circle†	1,200	280	+2
Booker	71	387	-2
Boots†	1,300	456	+8
Bowater†	1,800	463	+1
Brit. Aerospace	598	316	+2
British Airways†	7,300	297	-6½
British Gas†	3,800	293½	-1½
British Land	783	282	+2
British Steel†	3,400	87½	+1
Bunzl	367	131	-1
Burmah Castrol†	298	717	-1
Burton	8,800	85	-2
Cable & Wire.†	532	781	+6
Cadbury Schweppes†	536	486	
Calor Group	429	248	-6
Carlton Comms.†	539	728	+1
Coats Viyella†	241	234	+1
Comm. Union†	345	577	-8
Cookson	100	186	
Courtaulds†	517	545	-4
Dalgety	618	439	+6
De La Rue†	149	858	-5
Dixons	655	217	+3
Eastern Elect.	474	450	-5
East Midland Elect.	233	440	-4
Eng China Clays†	1,600	444	+4
Enterprise Oil†	284	482	+1
Eurotunnel Units	239	394	-1
FKI	96	135	+1
Fisons†	1,800	172	+2
Foreign & Col. I.T.	144	223½	
Forte†	2,400	189	-2
Gen. Accident†	478	577	-8
General Elect.†	12,000	317	+1
Glaxo†	3,800	855	+14
Glynwed Int.	1,100	385	-4
Granada†	862	408	+1
Grand Met.†	1,700	415	
GUS A†	236	1623	
GRE†	1,000	174	-1
GKN	1,300	443	+9
Guinness†	280	478	
HSBC (75p shs)†	1,700	617	+8
Hammerson 'A'	279	305	+4
Hanson†	8,600	243	+1½
Hanson Warrants	728	25	+½
Harrisons Crosfield	908	178	+4
Hillsdown	2,000	165	+1
IMI	377	280	-4
ICI†	700	1258	-8
Inchcape†	783	586	-3
Johnson Matthey	28	479	+1
Kingfisher†	1,400	611	+8
Kwik Save†	65	783	+5
Ladbroke†	6,300	177	+8
Land Securities†	807	645	+8
Laporte	288	624	-1
Legal & General†	230	464	-1
Lloyds Abbey	823	483	+8
Lloyds Bank†	1,700	545	+11
LASMO†	2,800	154	+1½
London Elect.	368	440	-2
Lonrho	6,800	113½	-4
Lucas	610	138	-1
MB Caradon†	485	312	+2
MEPC	605	418	
MFI	94	137½	+½
Manweb	30	502	-2
Marks & Spencer†	4,100	355	+6
Midlands Elect.	1,000	485	-1
Morrison (Wm.)	1,500	165	
NFC†	214	246	
NatWest Bank†	5,800	471	+3
National Power†	1,600	394	+2
Shell Transport†	3,400	609½	-1½
Siebe†	376	480	+8
Slough Ests	799	184	
Smith (W.H.) A	705	440	-5
Smith & Nephew†	875	143½	+½
SmKl Beecham†	1,500	461	+15
SmKl Beecham Uts.†	2,100	430	+15
Smiths Inds.	2,200	357	+1
Southern Elect.†	223	447	-3
South Wales Elect.	48	612	-2
Vodafone	1,700	415	+1
Warburg (SG)	301	701	+28
Wellcome†	1,900	755	+16
Welsh Water	459	565	-1
Wessex Water	432	672	-8
Whitbread 'A'†	2,600	482	+1
Williams Hldgs.†	916	360	+3
Willis Corroon	194	187	+8
Wimpey	1,800	181	+1
Wolseley	133	615	+8
Yorkshire Elect.	106	500	-4
Yorkshire Water	225	616	-6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	May 10	May 24	Jun 7
Option Declarations:	May 20	Jun 3	Jun 17
Last Dealings:	May 21	Jun 4	Jun 18
Account Day:	Jun 1	Jun 14	Jun 28

*New time dealings may take place from 8.30am two business days earlier.

Upgrade lifts Warburg

A LARGE upgrading in its profits forecast by French-owned stockbroker Credit Lyonnais Laing (CLL) was the trigger for another outstanding performance by S.G. Warburg, regarded as one of the UK's leading merchant banks and integrated securities houses. Warburg is heavily involved in the forthcoming ICI rights issue and is global co-ordinator of the third issue of BT shares.

At the close of business S.G. Warburg shares were 28 ahead at a record closing high of 701p. Earlier, the shares had touched an all-time intraday peak of 704p. Turnover amounted to 501,000 shares.

Mr Neil Baker, merchant banks analyst at CLL, said he had lifted his estimate of pre-tax profits for the year to the end of last March from £131.2m to £154.2m – the top of the market range – and his estimate for the year to end-March 1994 from £182m to £267m. Most analysts' estimates for the year to end-1994 are said to be below £200m.

Mr Baker said the key to the upgrading of his forecasts for the bank was an expected upturn in the performance of Warburg's investment banking operation. "The shares are cheap on a prospective price/earnings multiple of nine times against a market p/e of 14 times," added Mr Baker.

Another booster for Warburg shares came from the stock's probable elevation to the FT-SE 100 Index, possibly after the next scheduled meeting of the FT-SE steering committee on June 9.

Whitbread dilemma

The jury remained out following final results from Whitbread which saw a sparkling performance from the retail division reined in by a flat domestic brewing side. Echoing the sentiment, Whitbread "A" shares edged forward a penny to 482p.

The improvement in the group's food and pub businesses helped other selected drinks stocks, with Scottish & Newcastle gaining 5 at 463p and Bass 8 at 533p.

Analysts warned that Whitbread's split fortunes were likely to produce a two-way pull on the stock. Mr Geoff Collyer at NatWest Securities, said: "Whitbread is one of the most expensive stocks in the sector and not justified by its earnings growth." Reiterating his negative stance, he added that the company's 6 per cent eps growth for this year and a forecast 8 per cent next year was half of that predicted for the All-Share.

Ms Alex Oldroyd at SGST retained a hold stance, adding that improving margins and strong brands could stand Whitbread in good stead should there be a change of sentiment on the sector.

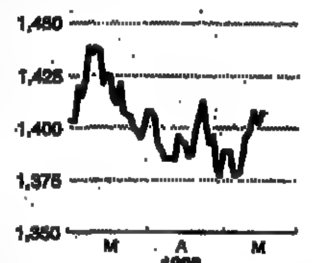
Ladbroke firmer

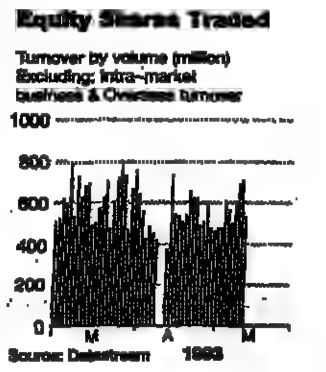
Gambling and hotels group Ladbroke continued to recover from its recent mauling, the shares gaining 8 at 177p in hefty turnover of 6.3m. The shares have underperformed in recent weeks as worries resurfaced over its gearing and prospective property write-downs. There was also a stock overhang, compounded by fears that a scrip issue next month will bring more stock into the market.

However, sentiment has improved in recent sessions, with more positive leisure analysts arguing that the stock was looking too cheap to be justified and that its betting business in particular was well placed. NatWest Securities, which recently put out a weighty tome on the issue, was yesterday reiterating its buy recommendation. Stanley Leisure benefited from the positive gambling talk and added 5 to 215p.

The continuing weakness in oil prices ahead of the June 8 Opec meeting, took the steam out of the oil sector. Oil prices are said to have fallen around 70 cents a barrel since the middle of last weeek.

BP lost 4 to 316½p with the market surprised at the shares' performance after last week's move by one leading UK institution which bought a block of over 20m shares. UK funds, big sellers of BP for much of last year, are thought by some oil sector specialists to be "running for cover" and seeking to top up their holdings in BP.





Much of the selling of BP yesterday was said to have emanated from the US. Shell, the FT-SE's best individual performer last week with an 8.1 per cent rise after the splendid figures, eased 1¼ to 609½p.

Lasmo, still viewed as one of the most likely candidates to drop out of the FT-SE 100 after the inclusion of Zeneca and the forthcoming evaluation of the 100 index, edged up 1½ to 154p despite evidence of sustained selling pressure from income funds.

British Gas slipped 1¼ to 293½p ahead of Thursday's first quarter numbers and also after comment in the weekend press, which suggested that the Monopolies Commission inquiry may be moving to a position where it may seek an opening up of the domestic gas market, a move which it is thought may not be viewed favourably in the City.

Shares in APV shed 4 to 95p after Cazenove, the company's broker, downgraded current year profit expectations. The recent selling of GKN, following a clutch of broker's downgradings, appeared to have come to an end leaving the shares to advance 9 to 443p, ahead of tomorrow's annual meeting. A squeeze in Hunting saw the shares improve 6 to 210p. Vosper Thorncroft was in demand and the shares put on 7 to 541p.

Turnover in Smiths Industries of 2.2m included an agency cross of nearly 1m shares. The shares hardened a penny to 357p. Bargain hunters went shopping for Simon Industries helping the shares firm 3 to 58p.

UK flag carrier British Airways had a busy session ahead of today's expected announcement of a £400m plus rights issue. Heavy selling saw the stock fall 6½ to 297p, in brisk trade of 7.8m shares.

The company, which also reports final figures today is expected to come in with profits for the year to March 1993 of around £200m, against last year's figure of £285m.

Profit-taking in Lonrho left the shares 4 lighter at 113½p. Computer graphics company Division Group made a spectacular market debut. The shares closed at a 56p premium to the issue price at 96p, with 10m shares having been dealt by the close.

Pharmaceutical stocks surged as US buyers were seen, helped also by some positive weekend press in the UK. Glaxo rose 14 to 855, SmithKline Beecham 15 to 461p and Wellcome 16 to 755p.

Food manufacturers were mostly strong, a mixture of market gossip and technical factors underpinning the rises. Of the major stocks, Northern Foods gained 10 to 270p as dealers reported a large buyer in the market. Tate & Lyle added 4 to 386p on rumours of an imminent deal to buy a Spanish sugar refinery. Finally, old bid talk once again swirled around United Biscuits, the shares jumping 7 to 421p.

Weekend press comment helped Marks and Spencer climb 6 to 355p, as the market waited eagerly for today's trading statement which is likely to set the trend for the rest of the retail sector.

Speculation that Allied Lyons would announce some form of equity-raising event with its results today. A convertible bond, or preference share issue seem to be the market favourite, although more cynical analysts said the 'Allied rights issue' story was a tired one. The shares shed 2 to 543p.

Catering group Compass, which reports results this week, jumped 19 to 525p. The shares have underperformed in recent weeks. Allied Leisure gained 4 to 57p as it confirmed the appointment of Mr Bill Davis, former head of the English Tourist Board, as non-executive chairman. After a weekend of boardroom rows, Tottenham Hotspur climbed 14 to 103p. A company statement attempted to play down talk of profits mentioned in weekend press reports.

The prospect of above average profits and dividend growth at Lloyds Bank saw the shares outperform the rest of the big banks and close a net 11 higher at 545p. TSB, where Hoare Govett were said to be keen buyers of the shares, added 3½ at 185p.

MARKET REPORTERS:
Christopher Price,
Steve Thompson,
Joel Kibazo.

■ Other statistics, Page 22

FINANCIAL TIMES EQUITY INDICES

	May 17	May 14	May 13	May 12	May 11	Year ago	*High	*Low
Ordinary share	2224.9	2218.4	2215.5	2231.1	2215.2	2129.1	2299.5	2124.7
Ord. div. yield	4.18	[illegible]	4.20	4.16	4.19	4.31	4.52	4.07
Earning yld % full	6.19	6.21	6.22	6.26	6.31	6.10	6.38	5.79
P/E ratio net	19.96	19.88	19.85	19.78	19.63	20.59	22.04	19.40
P/E ratio nil	[illegible]	18.57	18.54	18.49	18.35	[illegible]	20.30	18.14
Gold Mines	169.8	165.1	161.5	[illegible]	150.7	112.4	169.8	80.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2217.1	2212.8	2216.4	2218.2	2219.3	2220.7	2221.2	2222.4	2223.8	2225.3	2212.8

Volume	May 17	May 14	May 13	May 12	May 11	Year ago
SEAQ Bargains	30,271	29,016	29,260	28,387	28,290	27,127
Equity Turnover(£m)†	-	1151.7	1572.4	1744.4	[illegible]	945.5
Equity Bargains†	-	31,116	33,502	35,031	32,776	30,890
Shares traded (mil)†	-	[illegible]	711.1	695.2	614.0	439.0

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (148).

NEW LOWS (20).

BRITISH FUNDS (5) Treas. 12½pc '93, Treas. 13¾pc '93, Exch. 13½pc '94, Exch. 15pc '97, Treas. 15¼pc 1996, AMERICANS (1) Houston, BANKS (1) ABN Amro, BLDG MATLS (1) St. Gobain, CHEMS (1) Brent, ENG GEN (2) APV, Plasmec, FOOD MANUF (1) Tate & Lyle, HEALTH & HSEHOLD (6) Bespak, Brit. Bio-Tech., Huntleigh Tech., Proteus, Reckitt & Colman, Do 5¼pc Cv. Bd., MISC (1) Hertstone, OTHER FINCL (1) Caledonia.

EQUITY FUTURES AND OPTIONS TRADING

A SQUEEZE in stock index futures sent the near month contract sharply ahead in thin trading, writes Joel Kibazo.

But for an early sell order which caused the decline of the June contract on the FT-SE 100 from its opening of 2,854 to 2,846, it moved steadily ahead, pulling the underlying equity market higher.

The strong demand for the contract meant that June maintained a steady premium of around 10 points for most of the session, although actual dealing remained very low.

It reached the day's high of 2,870 in the last hour of trading and finished at 2,864, up 15 from its previous close and around 6 points above its estimated fair value premium to cash of about 5 points. Turnover at the official close was a mere 4,557 lots, although that total was boosted in after-hours' trading.

Volume in traded options was also poor. The day's total came to 24,332 contracts, against Friday's 27,986, and the total included 4,175 lots dealt in the FT-SE 100 option.

BT, which was also busy in the underlying equities, attracted a resurgence of strong support in the traded options after news of the group's move into satellite dish retailing. It was the busiest option with a total of 4,566 lots dealt, and the 420 puts were the busiest series.

It was followed by Hanson with 1,971 contracts traded, and the Euro FT-SE 100 option with 1,693.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2858.1 +11.1	3146.0 +3.7	1407.06 +4.48

	May 17	Day's change %	May 14	May 13	May 12	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2858.1	+0.4	2847.0	2849.3	2860.8	-	6.30	3.98	19.86	41.01
FT-SE Mid 250	3146.0	+0.1	3142.3	3151.9	3145.0	2801.9	6.04	3.70	21.16	34.52
FT-SE-A 350	1421.4	+0.3	1416.6	1418.6	1422.4	1327.5	6.24	3.92	[illegible]	19.33
FT-SE SmallCap	1600.98	+0.1	1598.91	1598.39	1596.20	-	4.54	3.57	31.18	17.82
FT-SE SmallCap ex Inv Trusts	1611.05	+0.1	1609.40	1608.76	1607.32	-	5.02	3.78	29.04	18.63
FT-A ALL-SHARE	1407.06	[illegible]	1402.58	1404.29	1407.78	1312.60	6.14	3.89	20.59	18.92
1 CAPITAL GOODS(213)	985.71	+0.2	983.70	982.75	985.59	923.42	4.86	3.91	27.64	14.35
2 Building Materials(27)	1103.27	+0.6	1096.82	1093.57	1089.38	1103.46	4.65	[illegible]	29.53	18.33
3 Contracting, Construction(29)	982.38	+0.6	976.84	976.85	974.75	1046.47	1.90	3.37	80.00†	11.57
4 Electricals(15)	2871.61	—	2870.40	2887.60	2891.10	2744.39	5.21	4.70	24.43	65.13
5 Electronics(37)	2659.78	+0.2	2654.85	2643.73	2661.28	2044.59	5.85	[illegible]	21.24	[illegible]
6 Engineering-Aerospace(7)	383.82	+0.2	383.14	381.82	373.44	403.28	‡	3.85	‡	4.61
7 Engineering-General(51)	563.15	[illegible]	563.68	566.04	568.15	568.05	6.80	3.75	18.60	7.08
8 Metals & Metal Forming(11)	423.73	+0.2	422.96	423.47	420.29	379.31	4.08	2.90	35.22	0.66
9 Motors(16)	396.00	+0.2	395.20	400.79	[illegible]	387.99	5.13	5.57	27.91	9.52
10 Other Industrials(18)	2031.29	[illegible]	2030.00	2021.26	2033.37	[illegible]	5.84	4.04	21.00	37.38
21 CONSUMER GROUP(234)	1659.97	+0.8	1646.99	[illegible]	1667.83	1734.72	6.83	3.41	[illegible]	18.71
22 Brewers and Distillers(29)	[illegible]	+0.2	1908.03	1933.86	1966.90	2237.99	8.43	3.81	[illegible]	20.05
25 Food Manufacturing(22)	1338.74	[illegible]	1334.70	1352.66	1350.82	[illegible]	7.51	3.78	16.09	22.09
26 Food Retailing(18)	2894.31	+0.8	2870.62	2875.63	2936.40	2896.16	8.86	3.56	14.83	19.55
27 [illegible]	3677.22	+2.0	3604.57	3600.85	3683.65	4108.57	6.23	3.09	18.55	41.02
29 Hotels and Leisure(20)	1264.76	+0.7	1255.36	1239.48	1244.41	1433.66	5.95	4.60	22.32	25.13
30 Media(33)	1905.70	+0.2	1901.93	1902.62	1910.30	1673.19	5.37	2.69	22.98	22.97
31 Packaging and Paper(24)	835.42	-0.6	840.06	845.28	849.14	851.34	6.07	3.47	20.22	10.34
34 Stores(39)	1169.97	+0.8	1160.50	1155.90	1156.70	1102.33	6.16	2.98	21.48	8.36
35 Textiles(20)	796.63	+0.4	[illegible]	793.52	792.21	741.40	6.26	3.85	20.12	[illegible]
40 OTHER GROUPS(142)	[illegible]	[illegible]	1471.21	1471.72	[illegible]	1335.09	7.86	4.30	15.48	16.21
41 Business Services(27)	1583.00	-0.1	1583.89	1583.48	1601.16	1489.65	5.76	3.18	[illegible]	14.18
42 Chemicals(23)	1513.09	-0.2	1515.93	1520.30	1524.73	1608.79	5.86	4.58	21.23	24.53
43 Conglomerates(11)	1458.44	[illegible]	1457.21	1462.33	1440.19	1452.86	7.15	5.12	15.76	19.36
44 Transport(16)	2828.98	-0.2	2835.67	2828.99	2813.87	2718.45	[illegible]	3.97	18.27	42.52
45 Electricity(16)	1655.49	-0.3	1660.24	1683.30	1706.53	1293.82	13.09	4.35	9.83	29.90
46 Telephone Networks(4)	1732.38	[illegible]	[illegible]	1694.81	1681.59	1451.32	5.80	3.85	21.34	1.83
47 Water(13)	3304.48	-0.8	3329.68	3393.45	[illegible]	2864.89	13.64	5.03	8.14	11.83
48 Miscellaneous(32)	2291.67	-0.1	2293.47	2313.14	2334.89	2123.44	7.06	4.43	17.66	41.41
49 INDUSTRIAL GROUP(590)	1440.85	+0.4	[illegible]	1436.24	1444.75	1407.72	6.84	3.81	18.17	17.04
51 [illegible]	[illegible]	[illegible]	2518.75	2536.65	2484.41	[illegible]	6.59	4.37	22.69	[illegible]
59 "500" SHARE INDEX(607)	1534.54	+0.3	[illegible]	1532.36	1636.88	[illegible]	6.70	3.87	[illegible]	19.37
61 FINANCIAL GROUP(98)	1007.32	+0.3	1004.27	1002.18	1002.85	789.11	3.83	4.21	40.01	18.94
62 Banks(9)	1392.27	+0.7	1383.22	1375.80	1377.29	898.67	5.00	3.88	27.22	28.46
65 Insurance (Life)(6)	1979.39	-0.3	1985.19	1994.02	2003.98	1589.48	2.56	4.81	86.62	47.49
66 Insurance (Composite)(7)	633.86	-1.2	641.48	644.49	650.91	659.55	‡	4.89	‡	16.80
67 Insurance Brokers(10)	784.74	+0.5	780.49	779.29	776.28	991.29	7.30	[illegible]	18.40	11.10
68 Merchant Banks(6)	667.23	+1.7	656.07	649.86	654.35	517.43	7.05	3.29	17.80	4.71
69 Property(28)	812.88	+0.4	809.43	811.90	794.15	715.68	5.66	4.93	24.15	5.26
70 Other Financial(23)	361.51	—	[illegible]	350.59	360.07	267.14	6.39	4.58	20.45	3.43
71 Investment Trusts(109)	1487.74	+0.2	1484.79	1485.78	1484.22	1282.61	2.24	2.81	[illegible]	13.49
99 FT-A ALL-SHARE(804)	1407.06	[illegible]	1402.58	1404.29	1407.78	1312.60	6.14	3.89	20.59	18.92

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2847.0	2840.8	2847.9	2851.0	2853.2	2856.9	2857.1	2857.4	2858.4	2858.7	2840.5
FT-SE Mid 250	3141.7	3140.5	3141.9	3144.0	3144.8	3144.7	3144.5	3144.4	3145.6	3146.1	3140.3
FT-SE-A 350	1416.7	1414.1	1417.1	1418.5	1419.4	1420.8	1420.9	1421.0	1421.6	1421.6	1414.1

Time of FT-SE 100 high: 16:16 ; low: 09:01

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrctn	1920.2	[illegible]	1920.0	1925.6	1927.1	1927.1	1926.0	1926.0	1927.2	1927.2	1917.1	+10.1
Health & H	1091.7	1099.7	1090.9	1092.1	[illegible]	1108.3	1109.0	1108.3	1107.4	1107.8	1085.7	+22.1
Water	1358.1	1352.9	1358.8	[illegible]	1363.8	1363.9	1363.4	[illegible]	1363.6	1363.0	1374.3	-11.3
Banks	1681.5	1681.1	1686.2	1690.6	1690.7	1686.5	1685.0	[illegible]	1690.6	1691.3	1680.1	+11.2

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price $	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17½xd	+¼	20⅞	15½	14,648	2.4
Allegheny & W	♥	520p	+16	671p	399p	270.2	3.8
Amdahl		350p	+8	581p	302½p	393.1	0.9
Amer Cyanamid		33¼	-⅛	38⅝	31⅞	2,897	3.1
Amer Express		17½xd	-⅛	19½	14⅞	8,514	3.6
Amer T & T		35¾xd	+⅛	40⅞	33⅛	47,294	2.3
Ameritech		47¼	+½	52¼	46	20,906	4.8
BankAmerica		29¾xd	-⅛	38⅛	27⅝	10,305	3.0
Bankers NY		44¼xd	-1⅛	51⅞	42⅝	3,591	4.4
Bell Atlantic		34	—	39⅝	32¼	14,718	5.0
BellSouth		33⅝	+⅛	39⅞	32⅞	16,610	5.2
Bethlehem Steel	♥	13¼xd	-⅛	13¾	10	1,198	–
Bowater		1398pxd	-34	1682p	1335p	506.6	1.8
CPC		28¼xd	-⅛	34⅝	26	4,278	2.8
Cadiz Land Inc	♥	77½p	—	115p	53p	–	–
California Engy		1309p	—	1479p	1086p	247.2	–
Chase Manhattan		18¾xd	-¾	24½	17⅞	2,928	4.1
Chrysler		26¼xd	-¾	28⅞	21¼	7,833	1.4
Citicorp		17¾xd	-⅛	20⅛	13⅛	6,328	–
Colgate-Palm		38⅛xd	-1⅛	45⅝	35¼	6,137	2.0
Cont'l Bank		1495p	-58	1677p	1278p	1,511	2.5
Dana		31¾xd	-⅛	34⅞	29⅞	1,480	3.2
Data General		634p	-9	851p	583p	174.9	–
Decora Inds	♥	138p	—	148p	109p	–	–
Dun & Brad		38¼	—	42⅛	37⅛	6,909	4.0
Eaton		55⅝	+⅛	59⅝	50⅝	1,928	2.5
Echlin		16⅝xd	-⅛	18⅞	15⅛	938.5	2.7
FPL		24⅝xd	-⅛	27⅞	23¼	4,473	6.3
Ford Motor		34⅞xd	-1	36⅞	28⅞	17,023	1.8
Gen Elect		60⅞xd	+⅛	62¾	53⅞	51,816	2.6
General Host	♥	577p	-9	723p	566p	–	3.9
Gillette		33⅝xd	-⅞	42⅛	31½	7,398	1.6
Hasbro		20⅞	—	20⅞	20⅞	1,819	0.7
Honeywell		22⅞xd	+⅛	24½	20⅞	[illegible]	2.5
Houston Inds		28½	-½	33¼	28½	3,091	6.6
Ingersoll-Rand		21⅞xd	—	25	19⅝	2,281	2.0
Lockheed		41⅛	+¼	42⅞	35⅛	2,538	3.2
Lowe's	h	2085p	-2	2339p	1573p	1,508	0.9

CANADIANS

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BREWERS & DISTILLERS

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BUILDING MATERIALS - Cont.

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HOTELS & LEISURE - Cont.

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INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

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MOTORS

OIL & GAS

OIL & GAS - Cont.

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PACKAGING, PAPER & PRINTING - Cont.

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MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on MMR "Headline Earnings" draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

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FT Cityline

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Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

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Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A3AS 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American ‡	5	258.4	258.4	271.3	-3.80	0.88
S & W Capital	5	115.6	115.6	121.8	-0.6	1.79
S & W Cash ‡	0	100.70	100.70	100.70	+0.07	5.39
S & W European	5	111.6	111.6	118.0	-0.6	1.32
S & W Far Eastern	5	144.6	148.3	154.7	-0.60	0.00
S & W Growth	5	123.7	125.5	132.8	-0.4	1.31
S & W Income	5	111.1	112.4	118.9	-0.3	4.52
S & W Magnum	5	122.1	122.1	131.1	-0.6	1.69
S & W Smlr Secs	5	309.9	316.7xd	335.0	-0.3	0.54
S & W Thoroughbred	5	141.1	141.1xd	151.4	-0.80	1.64

For Societe Generale Touche Remnant see Henderson

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

Cash	1	49.88	49.88xd	50.16	+0.02	8.5
Charitd Princnce	5½	55.56	54.90	58.02	-0.01	7.0
Ethical	5¼	52.34	53.31	56.71	-0.14	3.9
European Growth	5½	55.54	55.87	59.59	-0.39	3.0
Income	5½	51.38	51.83xd	55.28	-0.01	5.7
Intl Growth	5½	76.92	77.44xd	82.90	-0.70	2.8
Managed	5½	68.77	69.49	74.12	-0.34	3.5
UK Growth	5½	55.86	56.23	59.97	+0.01	4.8

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

Managed Acc	5¼	43.11	43.11	45.81	-0.1	1.74
UK Equity Gth Acc	5¼	56.94	57.03	61.56	—	1.49
UK Eq High Inc Inc	5¼	34.35	34.35xd	36.50	-0.1	3.83
UK Eq High Inc Acc	5¼	40.79	40.79	43.34	-0.1	3.83
UK Equity Gen Acc	5¼	53.15	54.10	57.49	-0.1	2.24
UK Equity Gen Inc	5¼	40.20	40.93	43.49	-0.1	2.24
UK Larger Cos Acc F	7½	361.6	366.4	397.6	-0.8	3.06
UK Larger Cos Inc F	7½	277.7	281.4	305.4	-0.6	3.06
Gilt & Fxd Int Inc	6¼	29.49	29.53xd	31.23	-0.1	6.81
O'seas Lrg Cos Acc F	7½	283.7	268.1	291.2	-1.9	1.50
Nth American Acc	5¼	40.72	40.98	43.53	-0.4	0.84
Far East Acc	5¼	54.48	54.46	57.87	-0.1	0.21
European Acc	5¼	40.14	40.14	42.65	-0.2	1.10

State Street Unit Trust Mngmt Ltd (1400)F
20 Birchin Lane, London EC3V 9AD 071-626 1500

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gros
Am Exempt	£598.01	606.98	-5.13	1.94
Gen Exempt	£157.16	154.31	-0.27	3.40
Jap Exempt	£287.45	297.92	-3.91	0.92
Pacific Exempt	£150.38	154.08	-1.10	1.81
Cont Euro Exempt	£119.93	119.27	-0.43	2.49

Foreign & Colonial Unit Management Ltd

Balanced Acc May 4	182.3	192.8	+1.4	3.51
Balanced Inc May 4	181.0	188.1	+1.4	3.53
Latin American Acc May 5	100.6	107.9	+4.6	1.72

Funds in Court*

Capital May 14	549.78	554.98	—	1.72
Gross May 14	208.95	210.63xd	—	9.07
High Yield May 14	332.48	335.10	—	7.76

* Restricted to investing under Court control

Govett (John) Unit Mngmt Ltd

Managed Exempt	108.35	110.02	-0.08	3.33

Henderson Unit Trust Management Ltd

Pensions Mngd	80.87	82.14xd	+0.04	2.86
Henderson TR				
Ex European May 13	1297	1307	—	2.08
Ex Nth Amer May 13	1376	1386	—	1.56
Ex Pac Basin May 13	945	955	—	1.43
Ex Smlr Cos Inc May 13	1876	1887	—	4.31
Ex Smlr Cos Acc May 13	2011	2130	—	4.31

INVESCO MIM Management Ltd

Exempt Funds

Intl Mngd P'Folio(1000-7)	£1.4610	1.5050	—	—
Mngd Pens (Acc)	£0.8384	0.8117	—	—
UK Core	£1.0050	1.0228	—	—

Lazard Brothers & Co. Ltd

Property May 4	£1900.0	2100.0	—	7.89
Inc Gth Prp Feb 3	£1200.0	1400.0	—	8.30

Lazard Investors Ltd ‡

Exempt Funds

INSURANCES

OTHER UK UNIT TRUSTS

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Providence Capital Life Assc. Co Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Alpha Pension Funds				
UK Alpha	227.7		-0.2	-
US Alpha	116.2		-0.5	-
Gilt Alpha	84.7		-0.1	-
Gold Alpha	88.1		-1.2	-
Japan Alpha	44.2		+0.1	-
US Dollar Alpha	73.5		-0.4	-
Yen Alpha	77.5		—	-
DM Alpha	89.6		-0.4	-
European Alpha	84.4		-0.9	-

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Gold Range (Pensions)				
Discretionary Fund	158.0		-0.6	-

Provident Mutual Life Assc. Assn.
6 Hills Way Stevenage Herts SG1 2ST 0438 752000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	411.6	433.3	+0.7	-
Managed Init	291.9	307.3	+0.5	-
Equity Ord	618.6	651.2	+3.1	-
Equity Init	438.8	461.9	+2.1	-
Index Linked Gilt Ord	[illegible]	201.4	—	-
Index Linked Gilt Init	141.7	149.2	-0.1	-
Overseas Equity Ord	327.1	344.3	-1.3	-
Overseas Equity Init	232.0	244.2	-1	-
Property Ord	225.0	236.8	+0.1	-
Property Init	159.6	168.0	+0.1	-
Fixed Interest Ord	256.1	269.6	-0.7	-
Fixed Interest Init	181.6	191.2	-0.6	-
Deposit Ord	198.0	208.3	—	-
Deposit Init	139.0	146.3	—	-
Pension Funds				
Managed Ord	542.5	571.1	+1.2	-
Managed Init	384.7	404.9	+0.6	-
Equity Ord	843.0	887.4	+5.3	-
Equity Init	597.9	629.4	+3.6	-
Pen Ind Lkd Gilt Ord	217.7	229.2	—	-
Pen Ind Lkd Gilt Init	161.2	169.7	-0.1	-
Overseas Equity Ord	378.4	398.4	-1.7	-
Overseas Equity Init	269.1	283.3	-1.2	-
Property Ord	287.0	302.1	+0.2	-
Property Init	203.6	214.3	+0.1	-
Fixed Interest Ord	[illegible]	350.0	-0.8	-
Fixed Interest Init	235.6	248.2	-0.7	-
Deposit Ord	286.6	301.7	+0.1	-
Deposit Init	203.2	213.9	—	-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds (First Series)				
Managed	398.5	419.5	+0.80	-
Equity	500.9	527.3	+1.60	-
Property	239.4	252.0	—	-
International	388.4	408.9	+0.10	-
Japanese	112.6	118.5	+0.20	-
Asia Pacific	136.5	143.7	+0.30	-
European	106.4	112.1	-0.20	-
American	135.4	142.6	-0.80	-
Fixed Interest	330.7	348.2	+0.80	-
[illegible]	[illegible]	181.6	-0.10	-
Cash	219.3	230.9	—	-
Life Funds (Second Series)				
Managed	110.9	116.8	+0.30	-
Equity	107.7	113.4	+0.40	-
Property	100.6	105.9	—	-
International	120.0	126.4	+0.10	-
Japanese	112.7	118.7	+0.10	-
Asia Pacific	133.8	140.9	+0.90	-
European	105.5	111.1	-0.20	-
American	132.8	139.8	-0.80	-
Fixed Interest	124.3	130.9	+0.30	-
Index-Linked Gilt	116.3	122.5	—	-
Cash	108.7	114.5	—	-
Pension Funds				
Building Society	172.8	181.9	—	-
Managed (Init)	230.0	243.1	+0.70	-
Managed (Acc)	455.2	479.2	+1.40	-
Equity (Init)	261.6	275.4	+1.10	-
Equity (Acc)	515.6	542.8	+2.10	-
Property (Init)	143.2	150.8	—	-
Property (Acc)	282.4	297.3	—	-
International (Init)	230.0	242.2	-0.10	-
International (Acc)	453.6	477.5	-0.30	-
Fixed Interest (Init)	220.5	232.2	+0.30	-
Fixed Interest (Acc)	434.9	457.8	+0.80	-
Cash (Init)	154.1	162.3	—	-
Cash (Acc)	304.0	320.0	—	-
Others				
Capital Guarantee Bond	99.0	104.3	+0.20	-

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 9101

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed	222.3	234.0	+0.6	-
UK Equity	214.0	225.2	+0.6	-
International	221.9	233.6	-0.7	-
American	227.8	239.7	-0.2	-
European	205.5	216.6	-1.1	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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	Init Charge	Canc Price	Bid Price	Offer Price	+or -	Yield Gr's
Standard Bank Fund Mgmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						
Intl. Bond (Daily)	5¼		15.76	16.64	-0.04	4.63
Sterling Bond (Daily)	5¼		9.775	10.11	-0.02	7.72
Sterling Cap (Daily)			42.32	42.34	+0.01	6.73
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey						
TSB Offshore Investment Fund Ltd 0534 73494						
Stg Deposit Class	3	101.85	107.45	104.61		8.00
Gilt & Fixed Interest	3	115.84	115.84	120.25		7.70
Blue Chip & Gilt Edged	5	59.38	60.38	62.50		3.65
International Bond	5	133.16	133.18	140.05		5.06
UK Equity	5	247.00	254.13	267.51		1.20
International Equity	5	171.78	174.30	183.47		0.30
Far Eastern	5	159.02	168.04	171.62		0.00
European	5	120.56	121.44	127.84		0.00
Pan American	5	318.74	321.91	338.86		0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	104.86	104.86	108.28		7.76
Monthly Share	3	103.48	103.48	106.86		7.86

JERSEY (REGULATED)(**)

Barclays Intl Funds

Asian Selection Funds

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar rallies at London close

THE DOLLAR rallied sharply against the D-Mark in late European trading yesterday amid increasing speculation that Denmark would vote Yes to the Maastricht treaty in its referendum today and that the Bundesbank would cut short-term interest rates tomorrow, *writes James Blitz.*

In recent weeks, expectations that the Danes could reject the Maastricht treaty have led to some inflows into the D-Mark and the Swiss franc. But a raft of opinion polls in recent days has underlined that, this time, the Danes will probably ratify the treaty, making the D-Mark less of a safe haven in Europe.

The latest opinion poll showed the Yes vote at 50 per cent and the No vote at 32 per cent, a far better preformance by the pro-treaty lobby than was the case a year ago. Mr Christian Dunis, an economist at Chemical bank in London, said that the Maastricht treaty was increasingly looking like a non-event.

At the same time, there was speculation that the Bundesbank would cut its discount rate by as much as ½ a percentage point this week, following last week's larger than expected cut in the repo rate to 7.60 per cent.

The Bundesbank went out of its way last week to calm down expectations of another cut in interest rates. However, a 25 basis point reduction in the discount rate already appears to have been discounted by dealers at the very least.

A meeting of the Federal Reserve's Open Market Committee, due tomorrow, has also been the cause of speculation that the US central bank may lean towards tightening interest rate policy soon.

Amid all of these factors, the dollar soared at the end of the day, peaking at DM1.6170, and later closing in London at DM1.6160, up nearly ½ a pfennig on the day.

Within Europe, the D-Mark weakened slightly against several currencies as dealers awaited tomorrow's Bundesbank council meeting.

The French franc closed rather stronger against the German currency, at FFr3.366 from a previous close of FFr3.373.. One factor helping the French currency higher was the Bank of France's decision not to leave interest rates unchanged at what is now a once-a-week intervention in the money markets.

Sterling closed higher, at DM2.4775 from a previous DM2.4650, as dealers awaited today's quarterly inflation report from the Bank of England. The assumption in the market was that the Bank would take a hawkish line on inflation following suggestions that the UK government might cut base rates again to help it out of its political difficulties.

The Italian lira was also firm against the D-Mark, in what was seen as a belated response to a comment made last week by Mr George Soros, the currency speculator, that Italian capital markets were worth investing in. The lira closed at L914.9 from a previous close of L918.1.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 17	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	154.250	149.051	-3.37	4.50	58
Portuguese Escudo	192.854	188.425	-2.30	3.38	38
Irish Punt	0.808628	0.801913	-0.83	1.83	42
Dutch Guilder	2.19672	2.19025	-0.29	1.26	20
Belgian Franc	40.2123	40.1555	-0.14	1.12	12
D-Mark	1.94964	1.95263	0.15	0.83	-3
French Franc	6.53883	6.58440	0.70	0.28	-30
Danish Krone	7.43679	7.50973	0.98	0.00	-40

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

May.17	Latest	Previous Close
£ Spot	1.5335-1.5345	1.5385 1.5395
1 month	0.41-0.40pm	0.38 0.37pm
3 months	1.12-1.10pm	1.08 1.06pm
12 months	3.83-3.73pm	3.76 3.70pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.17	Previous
8.30 am	[illegible]	79.7
9.00 am	[illegible]	79.7
10.00 am	[illegible]	79.7
11.00 am	[illegible]	79.8
Noon	[illegible]	79.8
1.00 pm	[illegible]	79.7
2.00 pm	[illegible]	79.8
3.00 pm	[illegible]	79.8
4.00 pm	[illegible]	80.0

CURRENCY RATES

May 17	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austrian Sch.	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]
Norway Krone	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]
Swedish Krona	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]
Greek Drach.	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

May 17	Bank of England Index	Morgan Guaranty Changes %
Sterling	80.0	-29.96
U.S. Dollar	64.3	-13.80
Canadian Dollar	93.9	-7.64
Austrian Schilling	114.4	+18.21
Belgian Franc	116.5	+1.56
Danish Krone	117.5	+11.62
D-Mark	124.2	+31.30
Swiss Franc	110.8	+19.65
Dutch Guilder	119.2	+21.00
French Franc	109.8	-6.57
Lira	82.8	-53.03
Yen	189.8	+110.18
Peseta	91.9	-29.73

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for May 14

OTHER CURRENCIES

May 17	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	2591.00 - 2593.00	1642.00 - 1644.00
Korea(Sth)	1223.15 - 1242.85	796.50 - 804.90
Kuwait	0.46290 - 0.46400	0.30060 - 0.30120
Luxembourg	50.75 - 50.85	33.10 - 33.20
Malaysia	3.9485 - 3.9590	2.5670 - 2.5680
Mexico	4.8185 - 4.8205	3.1270 - 3.1280
N.Zealand	2.8355 - 2.8410	1.8410 - 1.8435
Saudi Ar	5.7706 - 5.7820	3.7495 - 3.7505
Singapore	2.4835 - 2.4895	1.6135 - 1.6145
S.Af (Cm)	4.8820 - 4.8925	3.1740 - 3.1760
S.Af (Fn)	7.1955 - 7.2120	4.6700 - 4.6800
Taiwan	39.85 - 40.00	25.85 - 25.95
U.A.E.	5.6500 - 5.6636	3.6715 - 3.6736

POUND SPOT - FORWARD AGAINST THE POUND

May 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5325 - 1.5450	1.5325 - 1.5335	0.42-0.40cpm	3.21	1.13-1.10pm	2.91
Canada	1.9540 - 1.9695	1.9580 - 1.9590	0.26-0.20cpm	1.47	0.52-0.41pm	0.95
Netherlands	2.7640 - 2.7825	2.7725 - 2.7825	¼-⅛cdis	-1.35	⅝-⅞dis	-1.08
Belgium	50.75 - 51.10	50.75 - 50.85	2-7cdis	-1.06	11-18dis	-1.08
Denmark	9.4920 - 9.5480	9.5075 - 9.5175	1⅞-3¼oredis	-3.65	4⅞-6⅛dis	-2.42
Ireland	1.0145 - 1.0185	1.0150 - 1.0160	0.13-0.17cdis	-1.77	0.37-0.43dis	-1.58
Germany	2.4670 - 2.4800	2.4750 - 2.4800	¼-⅜pfdis	-1.51	¾-⅞dis	-1.31
Portugal	237.75 - 238.75	237.75 - 238.75	165-191cdis	-8.97	498-534dis	-8.41
Spain	188.45 - 189.05	188.70 - 189.00	109-128cdis	-7.53	282-341dis	-6.60
Italy	2262.50 - 2274.30	2265.00 - 2267.00	7-10liredis	-4.50	25-28dis	-4.68
Norway	10.4820 - 10.5180	10.4875 - 10.4975	⅞-2¼oredis	-2.07	2⅛-4⅛dis	-1.34
France	8.3325 - 8.3615	8.3350 - 8.3450	1¼-1¾cdis	-2.16	3-3⅝dis	-1.59
Sweden	11.2510 - 11.3610	11.2675 - 11.2775	2¼-3⅝oredis	-3.13	6⅛-8dis	-2.51
Japan	170.25 - 171.75	170.25 - 171.25	½-⅜ypm	3.07	1⅜-1¼pm	2.92
Austria	17.38 - 17.44	17.40 - 17.43	1⅛-2¼grodis	-1.29	3¼-5¼dis	-0.98
Switzerland	2.2330 - 2.2575	2.2475 - 2.2575	¾-½cpm	1.00	⅞-⅝pm	0.89
Ecu	1.2680 - 1.2880	1.2870 - 1.2880	0.19-0.23cdis	-1.96	0.52-0.59dis	-1.75

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.17-2.12pm . 12 Month 3.85-3.75pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5325 - 1.5450	1.5325 - 1.5335	0.42-0.40cpm	3.21	1.13-1.10pm	2.91
Ireland†	1.5080 - 1.5195	1.5115 - 1.5125	0.65-0.62cpm	5.12	1.74-1.69pm	4.54
Canada	1.2730 - 1.2770	1.2750 - 1.2760	0.17-0.20cdis	-1.74	0.61-0.65dis	-1.98
Netherlands	1.7970 - 1.8115	1.8105 - 1.8115	0.68-0.71cdis	-4.61	1.72-1.77dis	-3.85
Belgium	32.95 - 33.20	33.10 - 33.20	12.20-13.20cdis	-4.60	32.00-35.00dis	-4.04
Denmark	6.1580 - 6.2075	6.2025 - 6.2075	2.80-4.00oredis	-6.38	7.25-8.75dis	-5.16
Germany	1.6010 - 1.6165	1.6155 - 1.6165	0.67-0.68pfdis	-5.01	1.70-1.72dis	-4.23
Portugal	154.90 - 155.25	155.05 - 155.15	163-170cdis	-12.88	425-460dis	-11.41
Spain	122.05 - 123.10	123.00 - 123.10	102-109cdis	-10.29	270-282dis	-8.97
Italy	1465.25 - 1479.30	1478.25 - 1478.75	9.60-10.40liredis	-8.12	26.90-28.40dis	-7.48
Norway	6.8045 - 6.8475	6.8425 - 6.8475	2.70-3.35oredis	-5.30	6.70-7.50dis	-4.15
France	5.4040 - 5.4425	5.4375 - 5.4425	2.35-2.45cdis	-5.36	5.95-6.10dis	-4.43
Sweden	7.2370 - 7.3550	7.3500 - 7.3550	3.55-4.15oredis	-6.28	9.80-10.60dis	-5.49
Japan	110.45 - 111.90	111.40 - 111.50	par-0.01ydis	-0.05	par-0.01dis	-0.02
Austria	11.2700 - 11.3155	11.3075 - 11.3125	4.15-4.45grodis	-4.56	10.60-11.40dis	-3.89
Switzerland	1.4470 - 1.4705	1.4695 - 1.4705	0.25-0.30cdis	-2.24	0.68-0.73dis	-1.92
Ecu†	1.2105 - 1.2180	1.2110 - 1.2120	0.55-0.54cpm	5.40	1.38-1.37pm	4.56

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

May 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	6⅛ - 6⅛	6⅛ - 6	6⅛ - 6	6⅛ - 6	6⅛ - 6	6¼ - 6⅛
US Dollar	3¼ - 3⅛	3⅛ - 3	3⅛ - 3	3¼ - 3⅛	3⅜ - 3¼	3⅝ - 3½
Can. Dollar	4⅝ - 4½	4¼ - 4	4⅝ - 4½	5⅛ - 4⅞	5⅝ - 5⅜	6¼ - 6
Dutch Guilder	7⅛ - 7⅛	7⅜ - 7¼	7¼ - 7⅛	7 - 6⅞	6⅞ - 6¾	6⅝ - 6½
Swiss Franc	5¼ - 5	5⅛ - 5	5⅛ - 5	5⅛ - 4⅞	4⅞ - 4¾	4⅝ - 4½
D-Mark	8 - 7⅞	7⅞ - 7¾	7⅞ - 7¾	7⅝ - 7½	7⅛ - 7	6⅝ - 6½
French Franc	8⅛ - 8	8⅛ - 8	8 - 7¾	7⅞ - 7½	7⅜ - 7⅛	7¼ - 6⅞
Italian Lira	12½ - 10½	10¾ - 10⅝	10⅞ - 10½	10⅞ - 10¾	10⅝ - 10½	10½ - 10⅜
Belgian Franc	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7¼ - 7⅛	7 - 6⅞	6⅞ - 6¾
Yen	3⅜ - 3⅛	3⅜ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛
Danish Krone	9¼ - 9	10 - 9¼	9¼ - 9	8½ - 8	8⅛ - 7⅞	7⅞ - 7⅝
Asian $Sing	3⅛ - 2⅞	3⅛ - 2⅞	3½ - 2½	3½ - 2½	3½ - 2½	3⅝ - 2⅝
Spanish Peseta	12⅞ - 12⅛	12⅞ - 12⅛	12⅞ - 12⅛	12⅛ - 11⅞	11⅞ - 11⅝	11⅝ - 11⅜
Portuguese Esc.	15¼ - 14¼	16¼ - 15¼	15⅞ - 14⅞	15 - 14	14 - 12½	13⅛ - 13⅛

Long term Eurodollars: two years 4⅛-4¼ per cent; three years 4⅞-4⅝ per cent; four years 5⅛-5 per cent; five years 5⅝-5½ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May.17	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.533	2.478	170.8	8.340	2.253	2.778	2267	1.959	50.80	188.9	1.268
$	0.652	1	1.616	111.4	5.440	1.470	1.812	1479	1.278	33.14	123.2	0.827
DM	0.404	0.619	1	68.93	3.366	0.909	1.121	914.9	0.791	20.50	76.23	0.512
YEN	5.855	8.975	14.51	1000.	48.83	13.19	16.26	13273	11.47	297.4	1106	7.424
F Fr.	1.199	1.838	2.971	204.8	10.	2.701	3.331	2718	2.349	60.91	226.5	1.520
S Fr.	0.444	0.680	1.100	75.81	3.702	1	1.233	1006	0.870	22.55	83.84	0.563
N Fl.	0.360	0.552	0.892	61.48	3.002	0.811	1	816.1	0.705	18.29	68.00	0.456
Lira	0.441	0.676	1.093	75.34	3.679	0.994	1.225	1000.	0.864	22.41	83.33	0.559
C $	0.510	0.783	1.265	87.19	4.257	1.150	1.418	1157	1	25.93	96.43	0.647
B Fr.	1.969	3.018	4.878	336.2	16.42	4.435	5.469	4463	3.856	100.	371.9	2.496
Pta	0.529	0.812	1.312	90.42	4.415	1.193	1.471	1200	1.037	26.89	100.	0.671
Ecu	0.789	1.209	1.954	134.7	6.577	1.777	2.191	1788	1.546	40.06	149.0	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
101	[illegible]	[illegible]	[illegible]	[illegible]
102	[illegible]	[illegible]	[illegible]	[illegible]
103	[illegible]	[illegible]	[illegible]	[illegible]
104	[illegible]	[illegible]	[illegible]	[illegible]
105	[illegible]	[illegible]	[illegible]	[illegible]
106	[illegible]	[illegible]	[illegible]	[illegible]
107	[illegible]	[illegible]	[illegible]	[illegible]
108	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 2880 Puts 2621
Previous day's open int. Calls 52474 Puts 67478

LIFFE EURO SWISS FRANC OPTIONS
SFr 1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9450	[illegible]	[illegible]	[illegible]	[illegible]
9475	[illegible]	[illegible]	[illegible]	[illegible]
9500	[illegible]	[illegible]	[illegible]	[illegible]
9525	[illegible]	[illegible]	[illegible]	[illegible]
9550	[illegible]	[illegible]	[illegible]	[illegible]
9575	[illegible]	[illegible]	[illegible]	[illegible]
9600	[illegible]	[illegible]	[illegible]	[illegible]
9625	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9350	[illegible]	[illegible]	[illegible]	[illegible]
9400	[illegible]	[illegible]	[illegible]	[illegible]
9450	[illegible]	[illegible]	[illegible]	[illegible]
9500	[illegible]	[illegible]	[illegible]	[illegible]
9550	[illegible]	[illegible]	[illegible]	[illegible]
9600	[illegible]	[illegible]	[illegible]	[illegible]
9650	[illegible]	[illegible]	[illegible]	[illegible]
9700	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EUROMARK OPTIONS

[illegible]

LIFFE ITALIAN GOVT. BOND (BTP) OPTIONS

[illegible]

LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

PARIS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
116	-	-	-	0.03	0.58	-
117	0.82	1.08	-	0.11	0.97	1.13
118	0.09	0.64	0.83	0.64	-	-
119	0.01	0.33	-	-	-	-
120	-	0.15	-	-	-	-
Open Int	147,633	99,520	22,161	158,232	99,003	12,682

Estimated volume 16,282 † Total Open Interest 549,566
† All Yield & Open Interest figures are for the previous day.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5330	1.5286	1.5219	1.5116	1.4946

BASE LENDING RATES

	%
Adam & Company	6
Allied Trust Bank	6
AIB Bank	6
●Henry Ansbacher	6
B & C Merchant Bank	13
Bank of Baroda	6
Banco Bilbao Vizcaya	6
Bank of Cyprus	6
Bank of Ireland	6
Bank of India	6
Bank of Scotland	6
Barclays Bank	6
Brit Bk of Mid East	6
●Brown Shipley	6
CL Bank Nederland	6
Citibank NA	6
City Merchants Bank	6
Clydesdale Bank	6
The Co-operative Bank	6
Coutts & Co	6
Credit Lyonnais	6
Cyprus Popular Bank	6
Duncan Lawrie	6
Equatorial Bank plc	6
Exeter Bank Limited	7
Financial & Gen Bank	7
●Robert Fleming & Co	6
Girobank	6
●Guinness Mahon	6
Habib Bank AG Zurich	6
●Hambros Bank	6
Heritable & Gen Inv Bk.	6
●Hill Samuel	6
C. Hoare & Co	6
Hongkong & Shanghai.	6
Julian Hodge Bank	6
●Leopold Joseph & Sons	6
Lloyds Bank	6
Meghraj Bank Ltd	6
McDonnell Douglas Bk.	6
Midland Bank	6
Mount Banking	6
NatWestminster	6
Nykredit Mortgage Bnk	6.5
●Rea Brothers	6
Roxburghe Bank Ltd	6
Royal Bk of Scotland	6
●Smith & Williamson Secs.	6
Standard Chartered	6
TSB	6
Unibank plc	6
●United Bk of Kuwait	6
Unity Trust Bank Plc	6
Western Trust	6
Whiteaway Laidlaw	6
Wimbledon & Sth West.	7
Yorkshire Bank	6

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

BoE bulletin awaited

STERLING interest rate futures fell yesterday as dealers took the view that the Bank of England's quarterly bulletin, due out today, will take a firm line against allowing inflation to rise, *writes James Blitz.*

Sterling's strong performance on the foreign exchanges last month meant that the April producer prices showed a fairly low level of underlying inflation.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

However, the Bank is this week expected to stamp down on suggestions that the government's recent political difficulties will bring another interest rate cut.

The June short sterling contract reflected those expectations, and opened 5 basis points down on the day at 93.89 yesterday morning.

It later rose to a close of 93.91, as sterling performed fairly strongly against the D-Mark on the currency markets.

The 3-month sterling deposit rate also firmed slightly yesterday amid similar expectations. It closed at $6\frac{1}{16}$ per cent from a previous close of 6 per cent.

That rise in 3-month cash came despite a cheap flow of daily funds. The overnight lending rate fell as low as 3 percent at one stage, following a shortage of £1.35bn.

If yesterday's dealing was quiet, it was probably because dealers are waiting for a raft of data due out later this week, including the unemployment figures and the retail prices index.

That mood of expectation also dominated in Europe, where dealers were waiting for the Bundesbank council meeting which, this week, is due tomorrow because of the German holiday on Thursday.

The outlook for German rates this week is very mixed.

Dealers are anticipating another 25 basis point cut in the discount rate, and there has been some talk of the rate coming down by ½ a percentage point.

Call money edged higher yesterday, touching 8 per cent, and reflecting the tight conditions that remain in the German cash market following a significant net drain of funds last week. there are a few expectations of a rise in the repo rate.

Euromark futures were slightly weak, reflecting that mood. The June contract closed at 92.84, down 3 basis points on the day. The June Pibor contract closed up 4 basis points at 92.68.

FT LONDON INTERBANK FIXING

(11.00 a.m. May 17)	3 months US dollars	6 months US Dollars	
bid 3⅛	offer 3¼	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	2.98	Three year	4.43
Broker loan rate	5	Two month	2.70	Five year	5.20
Fed.funds	3⅛	Three month	3.04	Seven year	5.66
Fed.funds at intervention	-	Six month	3.16	10-year	6.03
		One year	3.37	30-year	6.93
		Two year	3.90		

May.17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.05	7.55-7.65	7.40-7.55	7.25-7.40	6.95-7.10	8.50
Paris	8⅛-8¼	7⅞-8	-	7½-7⅝	-	7.75
Zurich	4⅝-5⅛	5-5⅛	-	4⅞-5⅛	-	-
Amsterdam	7.87-8.00	7.85-7.90	-	7.52-7.57	-	-
Tokyo	3⅛-3⅛	3⅛-3¼	-	-	-	-
Milan	11⅛	10⅞-10¾	-	10⅞-10¾	-	-
Brussels	7⅛-7⅞	7⅛-7⅞	-	7⅛-7⅛	-	-
Dublin	7⅛-7⅞	7⅛-7⅞	7⅛-7⅞	7⅛-7⅛	7½-7⅝	-

LONDON MONEY RATES

May 17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6⅛	6⅛	6⅛	6⅛	6⅛	6⅛
Interbank Bid	2	5⅞	5⅞	6	6⅛	6⅛
Sterling CDs.	-	-	6⅛	5⅞	6	6⅛
Local Authority Deps.	6⅛	6⅛	6⅛	6⅛	6⅛	6⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6½	6⅛	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	6⅛	6⅛	6⅛	6⅛
Treasury Bills (Buy)	-	-	5⅞	5⅞	5⅞	-
Bank Bills (Buy)	-	-	5⅞	5⅞	5⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	2.94	2.98	3.07	3.33
SDR Linked Dep. Offer	-	-	4⅛	4⅛	4⅛	4⅛
SDR Linked Dep. Bid	-	-	4⅛	4⅛	4⅛	4⅛
ECU Linked Dep. Offer	-	-	8⅛	8⅛	7⅞	7⅞
ECU Linked Dep. Bid	-	-	8⅛	8	7⅞	7½

Treasury Bills (sell); one-month 5⅝ per cent; three months 5⅝ per cent; six months 5½ per cent; Bank Bills (sell): one-month 5⅞ per cent; three months 5⅞ per cent; Treasury Bills; Average tender rate of discount 5.3346 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30 ,1993 . Agreed rates for period May 26, 1993 to June 22 , 1993 Schemes II & III: 7.26 p.c. Reference rate for period April 1, 1993 to April 30 , 1993, Scheme IV&V: 6.018 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6½ from May 1 , 1993 Bank Deposit Rate for sums at 7 days notice 5⅞ p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¾ p.c.; one-three months 5¼ p.c.; three-six months 5 p.c.; six-nine months 4¾ p.c.; nine-twelve months 4½ p.c.; Under £100,000 2¾ p.c. from Jan.27, 1993. Deposits withdrawn for cash 1½p.c.

MONEY MARKET FUNDS

Money Market Trust Funds

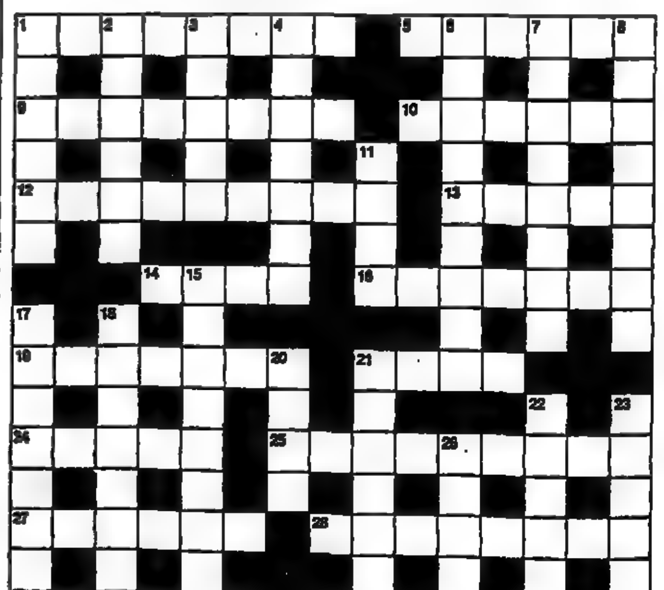
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,153 Set by VIXEN



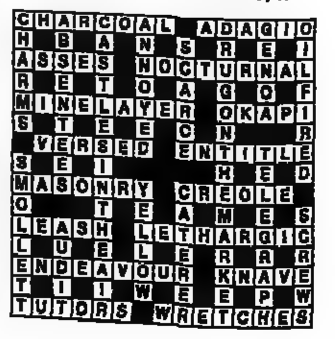
ACROSS

1 Moving quickly to make money in appropriate situation (8)
5 The man who's left in the main (6)
9 A six-legged hen, (8)
10 Issue one in farm stores (6)
12 The sap too silly to be a manipulator (9)
13 Magistrate making rebel leader fall into line (5)
14 Tea when the game is over? (4)
16 Indicate a boy should carry about a quarter (7)
19 Trained swimmer admitting distress (7)
21 She's compassion personified (4)
24 Not qualified to speak out (5)
25 Post protection (9)
27 Displaying tip-top jewellery (6)
28 Plant a large number with a tool designed for gardening (8)
29 Some juniors shield esteemed senior (6)
30 6 is for mature people in principle (8)

DOWN

1 Understand how to succeed (6)
2 Write in on new diet (6)
3 Take a seaman as well, though it's not approved of (5)
4 Tore up class report (7)
6 Meant to negotiate about some 30 (9)
7 To call in a trainee is the end! (8)
8 Sanctuaries for husbands (8)
11 Cut work after church (4)
15 The supporters present may be accommodated in rickety stand (9)
17 Bill the young minister is sound (8)
18 Seemed hesitant when offered food – that's about to change (8)
20 Trade distribution (4)
21 Competitive activity where gunmen appear above suspicion (3,4)
22 Bottle displayed by artist entering a restaurant (6)
23 Abandon an unproductive piece of land (6)
26 Go on about a key causing a bulge (5)

Solution to Puzzle No.8,152



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · ITALY · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close May 17

Quotations in cents unless marked $

[illegible]

3000 CnPcForest	$20¼	19¾	19¾	-½
30001 Cara Op	425	420	420	+5
1000 Cascades	$6¼	6¼	6¼	-⅛
335 Celanese	$48	46	46	
2482 CntCpital	40	30	40	+10
54600 Cinepx Odn	310	290	305	+5
11300 Cntrl Fd A	$6½	6¼	6⅜	-⅛
14622 Cominco	$15⅝	15¼	15⅜	-⅛
98065 Copotalog	300	297	297	+2
16684 Corel Sys	$19	18¾	18¾	
23000 CoscanDev	153	150	150	-3
85480 CrownX A	375	370	370	

MONTREAL

4 pm close May 17

[illegible]

Total Sales 20,950,053 shares

INDICES

NEW YORK DOW JONES

	May 14	May 13	May 12	May 11	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3443.01	3447.99	3482.31	3469.75	3482.31 (12/5)	3241.95 (20/1)	3482.31 (12/5/93)	41.22 (2/7/32)
Home Bonds	107.35	107.37	107.55	107.52	107.87 (7/5)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1589.57	1582.78	1589.41	1579.48	1693.08 (16/4)	1453.84 (4/1)	1693.08 (16/4/93)	12.32 (8/7/32)
Utilities	234.41	235.60	239.36	239.88	247.68 (16/4)	217.14 (8/1)	247.68 (16/4/93)	10.50 (8/4/32)

DJ Ind. Day's High 3472.82 (3496.74) Low 3421.14 (3428.89) (Theoretical♦)
Day's High 3458.57 (3481.76) Low 3437.19 (3447.71) (Actual♦)

STANDARD AND POOR'S

Composite ‡	439.56	439.23	444.80	444.36	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	507.46	505.94	511.28	510.32	524.99 (10/3)	495.48 (28/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	41.88	42.43	43.39	43.52	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	243.34	243.27	246.06	245.88	251.38 (10/3)	238.21 (8/1)	251.38 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	427.48	427.91	428.43	427.25	428.43 (12/5)	395.84 (8/1)	428.43 (12/5/93)	29.31 (9/12/72)
NASDAQ Composite	676.37	675.64	681.69	683.06	708.85 (4/2)	645.87 (26/4)	708.85 (4/2/93)	54.87 (31/10/72)

	May 7	Apr 30	Apr 23	year ago (approx.)
Dow Industrial Div. Yield	3.04	3.04	3.01	2.77
	May 12	May 5	Apr 28	year ago (approx.)
S & P Industrial div. yield	2.52	2.52	2.56	2.61
S & P Ind. P/E ratio	26.25	26.22	25.77	29.29

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Royal Dutch	5,211,400	90¾	+ ¼
Chase Man	2,917,800	29	- ⅞
Wal-Mart	2,679,300	27¼	+ ⅛
BankAmer	2,380,000	45⅝	- ⅛
NationsBank	2,223,700	46	- 2¼
Pepsico	2,188,300	35¾	- ½
Homeca	2,116,200	10¼	- ½
Am T & T	2,077,600	54⅞	+ 1
Philip Morris	2,031,100	50⅞	+ ¼
Citicorp	1,984,100	28¾	- ⅛

TRADING ACTIVITY

† Volume (Millions)	May 14	May 13	May 12
New York SE	252.141	289.656	254.543
Amex	20.608	30.582	24.740
NASDAQ	(u)	262.525	246.376
NYSE			
Issues Traded	2,493	2,539	2,532
Rises	886	609	942
Falls	997	1,406	946
Unchanged	608	514	644
New Highs	43	73	87
New Lows	13	14	15

CANADA

TORONTO	May 14	May 13	May 12	May 11	1993 HIGH	1993 LOW
Metals & Minerals	2877.26	2881.48	2874.90	2843.89	2972.25 (6/5)	2742.31 (21/1)
Composite	3813.33	3801.34	3796.52	3780.32	3813.33 (14/5)	3275.80 (21/1)
MONTREAL Portfolio	1888.73	1870.28	1877.48	1868.84	1890.04 (6/5)	1720.87 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	May 17	May 14	May 13	May 12	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1695.9	1698.5	1694.4	1695.7	1710.10 (26/4)	1495.00 (13/1)
All Mining (1/1/80)	730.0	746.8	723.0	714.8	748.80 (14/5)	594.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	330.64	328.52	328.80	324.44	357.78 (9/3)	300.26 (14/1)
Traded Index (2/1/91)	785.53	780.65	789.02	777.18	860.17 (3/3)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1212.45	1215.00	1218.78	1201.04	1289.11 (7/4)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	304.18	305.06	303.82	304.34	305.08 (14/5)	281.80 (4/1)
FINLAND						
HEX General (28/12/90)	1150.7	1184.9	1184.8	1172.2	1221.30 (7/5)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	507.80	512.77	515.65	510.04	547.37 (30/3)	471.24 (13/1)
CAC 40 (31/12/87)	1835.72	1851.74†	1879.85	1872.67	2035.91 (30/3)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	642.85	644.75	646.28	642.28	675.70 (10/3)	598.92 (14/1)
Commerzbank (1/12/53)	1823.8	1829.1	1834.1	1822.2	1908.10 (10/3)	1694.30 (14/1)
DAX (30/12/87)	1627.58	1634.51	1639.79	1629.46	1717.40 (11/3)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7124.12	7005.29	7108.78	7002.60	7124.12 (17/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1541.49	1541.85	1580.55	1543.31	1591.74 (16/4)	1191.18 (11/1)
ITALY						
Banca Com. Ital. (1972)	539.55	538.95	540.44	534.09	547.55 (27/4)	446.33 (8/1)
MIB General (4/1/93)	1191.0	1189.0	1189.0	1179.0	1208.00 (27/4)	992.08 (11/1)
JAPAN						
Nikkei (16/5/49)	20865.51	20474.18	20532.78	20815.20	21064.71 (10/5)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1611.25	1605.71	1611.06	1609.94	1638.05 (10/5)	1250.06 (25/1)
2nd Section (4/1/68)	2307.28	2292.86	2285.81	2280.75	2307.28 (17/5)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	720.36	720.00	718.04	712.67	720.36 (17/5)	614.28 (13/1)
NETHERLANDS						
CBS Tll Rtn.Gen.(End 1983)	330.0	331.8	333.4	331.1	333.40 (13/5)	296.70 (4/1)
CBS All Shr (End 1983)	217.0	218.3	221.6	220.7	223.50 (19/4)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	(c)	814.80	811.94	811.53	827.94 (4/5)	669.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1616.04	1604.73	1596.19	1605.71	1634.33 (5/5)	1270.88 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	454.02	455.23	453.55	450.39	455.23 (14/5)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1549.0♥	1562.0	1530.0	1444.0	1562.00 (14/5)	775.00 (5/1)
JSE Industrial (28/9/78)	4438.0♥	4425.0	4449.0	4405.0	4545.00 (10/2)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	717.17	707.01	710.61	700.08	737.59 (22/4)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	252.56	253.89	257.81	241.86	253.89 (14/5)	215.80 (4/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1083.2	1081.5	1072.1	1081.7	1083.20 (17/5)	879.10 (29/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	985.2	977.2	979.4	978.7	985.20 (17/5)	904.80 (11/1)
SBC General (1/4/87)	752.1	748.8	749.3	748.9	752.10 (17/5)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4460.11	4575.80	4564.58	4718.23	5013.28 (7/4)	3098.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	881.59	881.29	877.32	865.65	998.44 (25/1)	828.10 (4/5)
WORLD						
M.S. Capital Intl.(1/1/70) $	566.2	565.1	565.0	558.0	566.20 (5/5)	488.60 (13/1)
Euro Top-100 (26/6/90)	964.58	964.14†	968.45	964.19	968.47 (22/4)	862.73 (13/1)

**Saturday May 17: Taiwan Weighted Price: 4,555.53, Korea Comp Ex. 705.38.
♥ Subject to official recalculation. † Correction.
*Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, 965.20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Monday, 17 May, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujikura	10.3m	1,020	+34	Fujitsu	4.4m	792	-13
Shionogi	6.2m	1,090	-10	Nippon Zeon	4.3m	670	-10
Nippon Comsys	5.7m	1,380	+70	Mitsubishi Cable	4.3m	838	+14
Sumitomo Mt Mn	5.0m	1,120	-10	Kyowa Execo	3.9m	1,300	+60
Meiji Milk	5.0m	1,080	-10	Furukawa Elec	3.8m	711	+22

4 pm close May 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅝	11½	AAR Corp	0.48	3.5	25	1408	u13¾	13⅛	13⅝	+⅜
27¼	20	A L Labs A	0.18	0.7	45	939	26⅞	25⅞	26	-⅛
63½	54⅜	AMP Inc	1.60	2.6	22	2058	62⅛	61½	61⅝	-⅝
71⅞	55½	AMR			10	5291	71½	69⅝	69⅝	-1⅞
2¼	1¾	ARX			12	101	2⅛	2	2	
51¼	29⅞	ASA	2.00	4.2	31	1121	49	47½	48⅛	-¼
30¼	22⅝	Abbott Lab	0.68	2.4	18	16843	28⅜	27⅝	28⅛	+1
12⅝	10¼	Abitibi Pr	0.50	4.1	4	9	12¼	12	12⅛	
11¾	10⅜	ACM Gvt In x	0.96	8.3		140	u11¾	11⅝	11⅝	-⅛
9¾	9⅛	ACM GvOpp x	0.80	8.4		35	9⅝	9½	9½	-⅛
9⅝	8¾	ACM Gvt Sp	0.80	8.4		324	9½	9⅜	9½	
11⅞	10½	ACM Gvt Se	0.96	8.4		610	u11⅞	11¼	11⅜	+⅛
11	9⅝	ACM Man x	1.08	9.8		346	u11	10⅞	11	+¼
9⅜	8⅝	ACM Managd x	0.72	8.0		200	9⅛	9	9	
9⅞	7¾	Acme Cleve	0.40	4.2	12	76	9⅝	9⅜	9½	
9¼	6½	Acme Elect			245	80	7⅜	7¼	7⅜	-⅛
16	12	Acuson			13	140	12⅝	12½	12½	
22¼	19⅝	Adams Expr x	0.48	2.3	1	127	21	20⅝	21	+⅛
66	45½	Ad Micro	3.00	5.2		476	58¼	57	58	-½
32¼	17⅝	Ad Micro P	3.00	10.7	12	14659	28½	27¼	28⅛	-⅜
7¼	5½	Advest Grp	0.16	2.5	10	35	6⅜	6⅜	6⅜	
24¾	21¼	Advo Inc	0.06	0.3	22	305	21	d21	21	-⅞
49⅜	41⅛	Aegon ADR	2.85	6.4	8	37	46¼	45½	46	+¼
54⅛	43⅜	Aetna Lf	2.76	5.1	105	1198	53⅞	53⅜	53¾	+⅜
14½	11½	Affil A x	0.26	2.2	27	246	12¼	12	12	
40¼	33	Aflac x	0.50	1.3	16	853	38¼	37½	37⅞	-¼
22⅛	16⅜	Ahmanson x	0.88	5.1	14	916	17⅝	17¼	17⅜	-⅜

[illegible]

Continued on next page

4 pm close May 17

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
22	16½	S Anite Rl	1.36	7.4	20	33	18½	18⅛	18⅛	+¼
20¾	17	SCOR US Cp	0.32	1.8	226	z100	18⅛	18⅛	18⅛	-⅛
27	20	SPS Techno	1.28	4.8	19	52	u27¼	26⅞	26⅞	+⅛
14½	12⅞	Sabine Rl	1.33	9.5	10	17	14⅛	14	14	-⅛
13⅛	6⅞	Safecard	0.10	0.8	16	189	12½	12⅜	12⅜	
23½	17	Saleg'd Sc			8	22	18⅛	17⅞	18⅛	+⅛
24¾	16⅛	SafetyKln	0.36	2.0	24	1300	17¾	17⅝	17¾	
15¾	10⅞	Safeway			25	1567	15⅝	15½	15⅝	-¼
3⅞	2	SafewayW96				49	3¼	3¼	3¼	
44½	37½	StJoePaper	0.20	0.5	92	10	39	38⅞	39	
37⅝	31	StJoeLAP	1.76	4.8	14	17	36⅞	36⅞	36⅞	
83¼	75	St Paul's	2.80	3.5	12	667	81⅝	80⅞	81	-¾
9⅝	7⅞	Salant Crp			4	2	8½	8½	8½	
75¼	42½	Sallie Mae	1.20	2.6	10	3685	46½	45½	45¾	-⅞
13⅞	13	Salomon Br x	0.96	2.7		277	13½	13⅜	13⅜	-⅛
41⅞	34⅞	Salomonbe	0.64	1.8	18	2799	36½	35½	35⅝	-⅞
26⅞	23¼	SanDgo G&E	1.48	5.8	14	627	25⅝	25⅜	25½	
4⅞	3½	SantaFeEDu	0.40	10.3	193	32	3⅞	3⅞	3⅞	
11⅞	9⅛	SantaFeERs	0.16	1.4	125	1190	11⅛	10⅞	11¼	+¼
40¾	35¾	SantaFePac	2.80	7.4	13	189	37⅞	37⅝	37¾	+⅛
18	12¾	SantaFeSth	0.10	0.6	19	5180	17	16⅝	16⅞	+⅛
31⅛	23⅞	Sara Lee	0.58	2.3	19	3937	25½	24⅞	25½	+⅛
47	40⅛	Scana Corp	2.74	6.0	15	1108	46	45¾	45⅞	-⅛
49⅝	43	Seacorp	2.80	6.0	14	1286	47⅛	46½	46⅞	-⅛
38⅞	23⅞	ScherenRP			24	784	27½	27	27	-⅛
68½	51⅞	ScheringPl x	1.80	2.7	17	4267	68⅞	68⅛	68⅜	+1¼
66	55⅞	Sch'berger	1.20	1.8	25	6894	u66⅞	65¾	66¼	+⅞
39	24⅞	Schwab(C)	0.30	1.0	14	343	31⅛	30¾	31⅛	+⅛
7¾	5⅝	Schweitzer			30	114	7⅛	[illegible]	7⅛	

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

NASDAQ NATIONAL MARKET

4 pm close May 17

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close May 17

AMERICA

Inflation fears cloud prospects for equities

Wall Street

US share prices were mostly flat in light trading yesterday morning amid continued investor nervousness about inflation, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 4.43 at 3,438.58. The more broadly based Standard & Poor's 500 was 0.51 lower at 439.05, while the Amex composite was up 0.02 at 427.48, and the Nasdaq composite was up 0.43 at 676.80. Trading volume on the New York Stock Exchange was 120m shares by 1pm.

Following last week's worryingly strong April consumer and producer prices data, the markets' focus of attention has shifted to bond yields, inflation and monetary policy. Bond yields have risen considerably in the last few days on the inflation fears, and speculation has intensified that the poor inflation news has killed any chance of another easing of monetary policy by the Federal Reserve.

Even worse, concern is growing that, if inflation continues its upward climb over the next few months, the Fed may be forced to raise interest rates to slow the pace of economic activity. Such a move would be bad for bonds, and for equities, which have been helped hugely by extremely low domestic interest rates.

These concerns cast a cloud over trading yesterday, subduing interest in stocks generally. Volume was relatively light throughout the morning session, and prices rarely moved from their opening levels. Otherwise, the main focus of attention was on individual sectors.

Drug stocks, which have fluctuated wildly in recent weeks, enjoyed an upturn yesterday, buoyed by reports that President Clinton's healthcare reform team will recommend that the government set guidelines for drug prices, and not legally binding price controls.

The reports lifted the entire sector. Pfizer added $1¼ at $70⅞, Merck rose $1 to $38¼, Schering-Plough firmed $1⅛ to $66¼, and Johnson & Johnson put on $⅜ at $43⅝, all in active trading.

Time Warner jumped $1⅞ to $35 in volume of 3m shares after the company announced an agreement with US West in which the regional telecommunications group will buy 25 per cent of Time Warner's cable and entertainment operations for $2.5bn. US West shares were steady at $41¼.

Airline stocks took another hammering amid fresh concern about the effect on industry earnings of the latest air fare war. Delta fell $1¼ to $58¼, AMR (parent of American Airlines) slipped $1¾ to $69¾, USAir eased $½ to $21⅛ and UAL dropped $2¼ to $138¼.

Rank Xerox fell $3⅞ to $72 after the company warned that sales in its core document processing business would be weak in the second quarter.

Kmart fell $⅜ to $22⅞ on news of disappointing first qurater operating earnings.

Canada

TORONTO turned marginal morning gains into losses at midday as the precious metals index reversed direction on profit-taking. The TSE 300 composite index fell 17.60 to 3,795.73 in turnover of C$192m.

Among the active stocks, American Barrick and Placer Dome both slid by C$½, to C$23⅞ and C$22½ respectively.

SOUTH AFRICA

GOLD shares recovered after an early consolidation as the bullion price edged back up towards $370 an ounce. The gold index shed 12 to 1,650, after a low of 1,616. Industrials added 18 to 4,443 while the overall index eased 13 to 3,891.

EUROPE

Pharmaceuticals drive Zurich to new peak

BOURSES were mixed as, market by market, investors looked at different sectors, individual companies and other characteristics, *writes Our Markets Staff.*

ZURICH broke through the SMI 2,200 level, the index ending 20.0 higher at an all time high of 2,205.2, led by another strong performance in the pharmaceuticals sector. Ms Susan Haylock, of NatWest Securities in London, said that investors were realising that their worst fears about the potential impact of President Bill Clinton's healthcare reform in the US were unlikely to be realised.

Ciba-Geigy registered shares were the day's most active issue, rising SFr8 to SFr634. Roche certificates added SFr70 to SFr4,590.

Against the trend, Oerlikon-Bührle bearers shed SFr5 to SFr520 as the group said that losses at its holding company would prevent it from paying a dividend on its 1993 results.

PARIS fell back with many investors unwilling to take positions ahead of the long weekend - the bourse will be closed on Thursday and Friday. The CAC-40 index slipped 16.02 to 1,835.72 in moderate turnover of FFr2.2bn.

There was speculative interest in BNP, a privatisation candidate, after it announced that it was to nominate as chairman the present head of CCF, who oversaw that group's privatisation in 1987. BNP CI's rose FFr17 to FFr548 while CCF dropped FFr2.50 to FFr230.

BSN shed FFr15 to FFr874 ahead of today's first quarter sales figures which, some analysts forecast, could show a 6-7 per cent drop over the same 1992 period.

AMSTERDAM saw a heavy fall in Heineken which some analysts attributed to disappointing results from UK brewers, and reaction to Spanish devaluation given its exposure to that market. The shares lost Fl 4.20 to Fl 179.60.

The CBS Tendency index eased 1.0 to 106.5. KLM fell Fl 1.30 to Fl 25.60 on weekend press reports that the airline might report sharply lower earnings when it publishes its figures for the year to end-March next month.

FT-SE Actuaries Share Indices

May 17								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1147.06	1147.78	1147.66	1146.28	1145.97	1145.65	1145.77	1146.07
FT-SE Eurotrack 200	1213.93	1215.28	1214.52	1213.49	1214.27	1213.69	1213.55	1214.06

	May 14	May 13	May 12	May 11	May 10
FT-SE Eurotrack 100	1148.21	1155.16	1148.06	1140.44	1142.74
FT-SE Eurotrack 200	1212.97	1219.59	1215.04	1206.03	1203.54

Base value 1000 (26/10/90) High/day: 100 - 1148.28; 200 - 1215.86 Low/day: 100 - 1144.83 200 - 1212.57.

MILAN made a mixed start to the June account although privatisation candidates put in a strong showing as the market gave a broad welcome to the appointment of Mr Romano Prodi as the chairman of Iri, the state holding company. The Comit index rose 0.56 to 539.55.

Hopes of a quick sale helped Credito Italiano L79 higher to L2,927, as the share traded ex rights worth L85 a share.

Fiat was steady at the start, adding L1 to fix at L6,551 before sliding 3 per cent to L6,350 after hours.

Olivetti fell L34 to fix at L1,350 ex-rights, before subsiding further to L1,315 on the kerb. Analysts said that the share price had taken the L903bn rights issue in its stride, and that weekend news that Mr Carlo De Benedetti, the chairman, had admitted that the company paid bribes to political parties had had little effect.

FRANKFURT went through the motions, trading narrowly in a thin market as the DAX index eased 6.63 to 1,627.88. Turnover fell from DM6.3bn to DM4.7bn.

Deutsche Bank was the active stock among DAX constituents, rising DM3.80 to DM698.50 ahead of Wednesday's dividend payment and following a recommendation from brokers James Capel.

The laggard in banks was Dresdner, ex a DM12 dividend and down a net DM5.30 to DM374.20 after the Capel sell recommendation in last week's quarterly review of the German market. Capel liked banks in general, as interest rate beneficiaries, along with insurances and high yielders.

MADRID saw profit-taking after last week's devaluation, and some caution ahead of today's Maastricht vote in Denmark. The general index closed 0.93 lower at 252.96.

Banks, strong last week on interest rate sensitivity, mostly fell, BBV losing Pta95 to Pta3,070 and Santander Pta130 to Pta5,490. Utilities were mixed after last week's belated response, but Sevillana dropped Pta22 at Pta428.

BRUSSELS edged lower in quiet conditions ahead of today's Danish referendum and the Bel-20 index slipped 2.58 to 1,212.45. Against the trend, Petrofina added BFr190 or 2.3 per cent to BFr8,420 on optimism for the 1993 earnings outlook after Friday's annual shareholders' meeting.

HELSINKI fell on the threat of labour conflict in the country's export sector starting on Wednesday, the HEX index closing 14.15, or 1.2 per cent lower at 1,150.71 after an earlier fall of about 2 per cent. Turnover was lower than usual at FM70.1m.

ISTANBUL edged lower as profits were again taken after last Thursday's record close. The 75-share index eased 46.1 to 8,239.91 with Sunday's election of Prime Minister Suleyman Demirel as president already discounted by the market. WARSAW's WIG index eased by 22.0 to 2,541.6 in record turnover of 353.3bn zloty, up from 302bn on Friday. The WIG has previously risen by a phenomenal 96 per cent in just over a month, from 1,310.7 on April 8 to 2,563.6 on May 13.

Turnover has also shown a marked increase over the period, from between 30bn zloty and 70bn zloty in the first week of April.

ASIA PACIFIC

Nikkei easier as Hong Kong puts on 1.7 per cent

Tokyo

SHARE PRICES fluctuated to end on a mixed note after investors bought equities on dips, but late futures selling left the Nikkei average easier on balance in light trading, *writes Wayne Aponte in Tokyo.*

The 225-issue average was finally 91.36 off at 20,565.51, after setting a day's high of 20,689.49 and low of 20,520.03. The Topix index of all first section stocks finished at 1,611.25, up 5.54, and in London the ISE/Nikkei 50 index firmed 2.54 to 1,243.57.

Volume languished at 330m shares, compared to Friday's 567m, and declines narrowly outscored rises by 515 to 485, with 182 issues unchanged.

Brokers said buy orders from government-managed public funds supported equity prices during the session, but that no specific sector or issue gave a boost to the Nikkei average.

Investors expressed the hope that Nippon Telegraph and Telephone, which led the market during its major advance in March, will settle above the Y1m mark; a break through this level would have a positive effect on the market and, in all likelihood, encourage a wave of fresh buying, brokers added. NTT closed Y12,000 higher at Y997,000.

Meanwhile, most market participants are expected to stay on the sidelines in the short term, in order to examine the agglomeration of company earnings reports due to be released this week.

Foreign exchange considerations, too, are expected to keep institutional investors cautious. Investors, in particular, are expected to study Friday's April money supply data for any signs of economic recovery.

The banking sector drew active buying. Mitsubishi moved forward Y40 to Y2,510, Daiwa Y30 to Y1,070 and Sumitomo Y20 to Y2,010.

Motor issues gained a little ground: Toyota appreciated Y10 to Y1,700 and Honda firmed Y10 to Y1,420.

Telecommunications equipment manufacturers eased. NEC finished Y10 softer at Y1,030 and Fujitsu Y13 lower at Y792.

In Osaka, the OSE average ended 38.27 higher at 22,828.74 in volume of 16.0m shares.

Roundup

STRONG performances featured among the region's markets yesterday.

HONG KONG finished sharply higher on growing optimism about the resumption of meetings of the Sino-British Joint Liaison Group. The Hang Seng index climbed 118.83, or 1.7 per cent, to a record close of 7,124.12. Turnover amounted to HK$5.4bn.

Blue chips reaped the biggest gains, with HSBC Holdings adding HK$1.50 at HK$72, followed by Cheung Kong, which gained 60 cents at HK$27.60. Jardine Matheson was another strong performer, rising HK$2 to HK$56.

AUSTRALIA slipped towards the close as gold shares retreated following lower world commodity prices. The All Ordinaries index lost 11.6 to 1,656.9, while the golds index declined 23.7 to 1,723.3. Turnover came to A$305.8m.

In the resources sector, BHP receded 6 cents to A$13.90 and CRA shed 20 cents to A$13. Western Mining eased 5 cents to A$5.28.

Among specialist gold stocks, Placer Pacific dipped 2 cents to A$2.55 and Plutonic 20 cents to A$4.70.

ANZ declined 6 cents to A$3.54 after reporting slightly disappointing interim results last Friday.

KUALA LUMPUR extended its gains of last week by a marginal 0.36 in the composite index to 720.36. There was selected foreign buying of blue chip stocks, but turnover contracted to M$1.70bn from M$1.93bn.

MANILA gathered upward pace, the index rising 11.31 to 1,616.04 in turnover of 555m pesos. An improvement in San Miguel "B" shares, up 2 pesos at 127 pesos, helped to support the market.

TAIWAN was disappointed that the central bank did not cut interest rates over the weekend as had been anticipated. The weighted index lost 105.42, or 2.3 per cent, at 4,460.11 in T$23.9bn turnover.

Among the weakest spots, Acer fell T$1.10 to T$24.70 and China Steel T$1.10 to T$21.10.

SEOUL was stronger on bargain hunting following recent weakness. The index put on 11.79 at 717.17 in turnover of Won513bn. Financial issues performed well, with Commercial Bank of Korea up Won370 to Won10,000.

SINGAPORE lost ground on profit-taking after its record-breaking run last week. The Straits Times Industrial index fell 17.12 to 1,846.27.

Sembawang Shipyard, which was among the leaders in the past week, closed 40 cents down at S$12.60 in volume of 1.8m shares.

BOMBAY opened higher but closed the session sharply lower after investors took profits following recent gains. The BSE index settled 56.53 off at 2,300.99.

NEW ZEALAND showed a good performance from Telecom ahead of today's annual results, the shares gaining 4 cents at NZ$2.79. The NZSE-40 capital index rose 7.44 to 1,588.34 in turnover of NZ$27m.

Devaluation sets scene for higher Madrid

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+1.87	+1.59	-14.39	+1.99	+0.55	+2.18
Belgium	+1.81	-3.96	+2.10	+10.15	+9.22	+10.98
Denmark	+0.77	+5.32	-8.59	+18.38	+18.37	+20.29
Finland	-4.78	+9.35	+42.10	+41.49	+30.91	+33.04
France	-1.44	-6.28	-6.83	+2.28	+2.89	+4.55
Germany	+1.40	-2.78	-7.39	+7.21	+6.66	+8.39
Ireland	+3.01	-5.02	+9.23	+27.46	+17.28	+19.17
Italy	-0.57	+5.24	+22.35	+26.65	+24.85	+26.86
Netherlands	+0.21	-2.42	+4.54	+9.65	+9.22	+10.99
Norway	+0.81	+3.53	-8.07	+14.72	+14.55	+16.40
Spain	+5.89	+6.02	-0.93	+19.31	+10.16	+11.94
Sweden	+0.86	+8.66	+15.28	+11.84	+6.01	+7.73
Switzerland	+1.03	+1.28	+11.74	+6.59	+5.98	+7.69
UK	+1.81	+1.09	+6.38	+1.43	+1.43	+3.07
EUROPE	+1.11	-0.20	+2.88	+6.02	+5.29	+7.00
Australia	-0.01	-2.45	-3.08	+6.93	+7.45	+9.18
Hong Kong	+3.21	+6.22	+19.01	+28.07	+26.24	+28.28
Japan	-1.54	+1.97	+15.76	+21.14	+34.21	+36.37
Malaysia	+2.79	+10.27	+41.64	+24.29	+24.58	+26.59
New Zealand	-0.35	-0.24	-0.11	+3.90	+8.00	+9.75
Singapore	+4.39	+6.12	+13.70	+15.39	+15.27	+17.14
Canada	+0.52	+4.26	+6.21	+10.28	+8.27	+10.02
USA	-0.60	-2.05	+6.62	+0.81	-0.79	+0.61
Mexico	-2.98	-9.40	-8.72	-10.48	-12.16	-10.73
South Africa	+4.61	+12.38	+6.00	+25.00	+27.47	+29.53
WORLD INDEX	-0.32	0.00	+8.15	+8.55	+10.62	+12.41

† Based on May 14th 1993. Copyright, The Financial Times Limited, Goldman Sachs & Co, and NatWest Securities Limited.

By Michael Morgan

Spain's 8 per cent devaluation of the peseta last Thursday provided a spur to equity prices in Madrid last week, while the soaring gold price underpinned the advance seen in Johannesburg.

Mr Sushil Wadhwani, director of UK and European equity strategy at Goldman Sachs, comments that the peseta devaluation is good news for Spanish equities over the medium term for four reasons:

- It has allowed interest rates to fall, particularly important because Spain is one of Europe's most interest rate-sensitive markets.
- Since the peseta has now fallen by more than 20 per cent since last autumn, foreign investors may find the market attractive on the assumption that there is little further currency risk. Furthermore, foreign investors had been deterred by the possibility of a new tax on short term speculative flows which now looks extremely unlikely.
- The devaluation provides competitive advantage for industry, although the direct benefits to quoted companies are relatively modest because of foreign currency debt.
- The likely improvement in trade performance will make Spain's recession less deep.

Mr Wadhwani believes that the market could rise by at least 7 to 8 per cent, although he cautions that after the initial euphoria, investors might focus again on uncertainty surrounding the forthcoming elections. "While the ride to rather higher levels could be a bumpy one, it remains our favourite European market on a 12-month view."

Hopes that the bullion price would breach $370 an ounce supported Johannesburg.

One London-based analyst noted strong US and European demand last week for South African gold shares which, he said, remained cheap on yield considerations compared with their North American counterparts. He added that the sector's latest quarterly results had been good and that the outlook for the current quarter was also positive.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MAY 14 1993								THURSDAY MAY 13 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	136.61	-0.1	131.65	95.77	113.78	129.39	+0.1	3.83	136.74	132.90	96.51	114.78	129.24	144.19	117.39	150.47
Austria (18)	143.21	+0.8	138.00	100.39	119.27	119.73	+0.4	1.77	142.10	138.10	100.29	119.27	119.22	150.96	131.16	166.33
Belgium (42)	147.86	+0.8	142.49	103.65	123.15	120.33	+0.2	4.71	146.69	142.57	103.52	123.13	120.10	156.76	131.19	143.48
Canada (109)	127.23	+0.1	122.61	89.19	105.96	117.42	+0.3	2.82	127.06	123.49	89.67	106.65	117.13	127.86	111.41	126.63
Denmark (33)	223.89	+1.0	215.75	156.95	186.47	188.03	+0.1	1.20	221.60	215.37	156.40	186.01	187.77	225.84	185.11	243.34
Finland (23)	92.61	+0.4	89.24	64.92	77.13	108.11	+0.3	1.14	92.25	89.65	65.11	77.43	107.74	100.43	65.50	83.61
France (98)	153.87	-0.6	148.28	107.86	128.15	130.46	-1.4	3.44	154.85	150.49	109.28	129.97	132.26	167.36	142.72	164.88
Germany (62)	112.77	+0.5	108.67	79.06	93.92	93.92	-0.2	2.25	112.16	109.00	79.17	94.14	94.14	117.10	101.59	120.71
Hong Kong (55)	284.21	-1.2	273.88	199.23	236.72	282.02	-1.2	3.27	287.60	279.51	202.97	241.41	285.42	287.60	218.82	236.92
Ireland (15)	161.81	-1.4	155.93	113.43	134.77	150.25	-2.1	3.53	164.12	159.51	115.83	137.76	153.51	170.40	129.28	160.21
Italy (73)	69.61	+0.6	67.08	48.80	57.98	76.47	-0.5	2.58	69.22	67.27	48.85	58.10	76.87	70.58	53.78	68.39
Japan (470)	143.23	+0.3	138.03	100.41	119.31	100.41	-0.4	0.83	142.85	138.84	100.82	119.92	100.82	146.85	100.75	101.61
Malaysia (69)	330.99	+1.1	318.97	232.02	275.67	327.36	+1.1	2.05	327.48	318.27	231.11	274.87	323.83	330.99	251.66	236.58
Mexico (18)	1471.03	+0.3	1417.57	1031.22	1225.18	5032.51	+0.3	1.35	1466.00	1424.77	1034.64	1230.53	5015.32	1725.81	1410.30	1617.16
Netherland (24)	168.04	-0.9	161.93	117.80	139.96	137.82	-1.7	4.01	169.51	164.74	119.63	142.28	140.15	172.75	150.39	156.95
New Zealand (13)	47.07	-0.8	45.36	33.00	39.20	46.04	-0.5	4.77	47.45	46.12	33.48	39.83	46.23	49.32	40.56	46.19
Norway (22)	160.30	+0.8	154.47	112.37	133.51	148.33	+0.4	1.78	158.95	154.48	112.18	133.42	147.78	168.21	137.71	186.96
Singapore (38)	249.93	+0.9	240.84	175.20	208.16	186.12	+1.0	1.84	247.69	240.72	174.81	207.90	184.26	249.93	207.04	215.77
South Africa (60)	191.83	+1.0	184.86	134.47	159.77	196.44	+0.6	2.56	189.99	184.64	134.08	159.47	195.17	191.83	144.72	248.98
Spain (46)	130.53	+2.3	125.79	91.51	108.72	120.74	+1.1	4.94	127.60	124.01	90.05	107.10	119.48	132.82	115.23	160.15
Sweden (36)	178.35	+1.2	171.87	125.03	148.55	193.87	+0.6	1.74	176.21	171.26	124.37	147.91	192.78	178.35	149.70	183.60
Switzerland (55)	121.70	+0.5	117.28	85.32	101.38	109.44	-0.1	1.99	121.16	117.75	85.51	101.71	109.51	123.58	108.91	104.99
United Kingdom (218)	177.66	+0.8	171.20	124.53	147.95	171.20	-0.1	4.01	176.30	171.34	124.41	147.97	171.34	181.99	162.00	196.69
USA (519)	179.55	+0.1	173.03	125.88	149.55	179.55	+0.1	2.85	179.44	174.40	126.65	150.63	179.44	186.27	175.38	167.32
Europe (765)	145.53	+0.5	140.24	102.02	121.21	132.37	-0.3	3.38	144.84	140.76	102.22	121.58	132.80	149.02	133.92	153.87
Nordic (114)	168.04	+1.1	161.93	117.80	139.96	160.91	+0.4	1.55	166.28	161.60	117.35	139.57	160.22	169.44	142.13	182.20
Pacific Basin (713)	147.20	+0.2	141.85	103.19	122.60	106.76	-0.4	1.11	146.91	142.77	103.68	123.31	107.17	150.03	105.89	107.79
Euro-Pacific (1478)	146.39	+0.3	141.07	102.62	121.92	117.75	-0.4	2.03	145.94	141.84	102.99	122.49	118.18	148.94	117.26	126.43
North America (628)	176.29	+0.1	169.88	123.59	146.85	175.32	+0.1	2.84	176.18	171.22	124.35	147.90	175.20	182.38	171.51	164.79
Europe Ex. UK (547)	125.66	+0.3	121.10	88.11	104.69	110.55	-0.5	2.92	125.32	121.80	88.46	105.21	111.10	128.65	112.51	128.53
Pacific Ex. Japan (243)	186.44	-0.3	179.66	130.72	155.30	170.32	-0.2	3.19	187.02	181.76	132.01	156.99	170.71	187.02	152.70	168.67
World Ex. US (1665)	147.00	+0.3	141.66	103.06	122.44	119.83	-0.3	2.05	146.54	142.42	103.43	123.01	120.22	149.39	118.51	128.77
World Ex. UK (1966)	154.93	+0.2	149.30	108.61	129.05	134.99	-0.2	2.18	154.68	150.33	109.17	129.85	135.25	157.19	134.22	135.54
World Ex. So. Af. (2124)	156.79	+0.2	151.10	109.93	130.60	137.81	-0.2	2.35	156.46	152.06	110.44	131.34	138.06	158.98	137.29	140.06
World Ex. Japan (1714)	166.01	+0.2	159.98	116.39	138.29	159.24	-0.1	3.03	165.68	161.02	116.94	139.09	159.35	168.09	157.47	162.76
The World Index (2184)	156.93	+0.2	151.23	110.01	130.71	138.31	-0.2	2.35	156.59	152.18	110.52	131.44	138.55	159.07	137.32	140.80

Latest prices were unavailable for this edition.